

PSEi back above 6,500 amid bargain-hunting

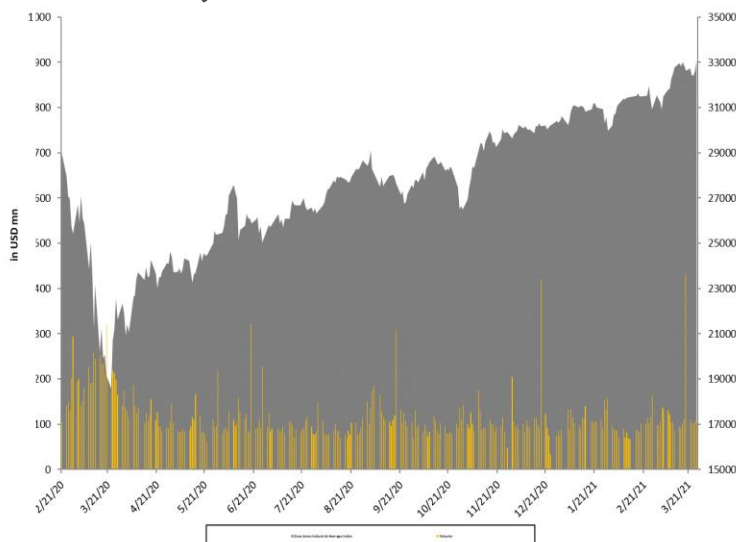
| 29 March 2021

- The PSEi successfully reclaimed the 6,500 level to end 1.69% higher week-on-week at 6,544.63, as bargain-hunters gained the upper hand versus the still-cautious investors.
- U.S. consumer spending fell 1% in February, compared with an expected drop of 0.8% and the Federal Reserve's preferred inflation gauge, personal-consumption expenditures, or PCE, rose 0.2% in February.
- The S&P 500 finished 1.6% higher at 3,975 while the Dow Jones Industrial Average added 1.4% to end at 33,073. Meanwhile, the Nasdaq Composite gave up 0.6% to end at 13,139.

U.S.: Feb consumer spending fell

- Markets seemed to shake off weak reports on consumer spending and income, with that February data showing the biggest decline in spending in 10 months due to harsh winter weather and a temporary respite in government stimulus payments.
- Consumer spending fell 1% in February, compared with an expected drop of 0.8% and the Federal Reserve's preferred inflation gauge, personal-consumption expenditures, or PCE, rose 0.2% in February, with core inflation up 0.1%, excluding volatile energy and food, matching consensus estimates from economists surveyed by Dow Jones.
- EU member states will create a "health pass" from the middle of June to facilitate a rebound in leisure, tourism and business travel, an EU commissioner said.
- A strong night across commodities on Friday night with Oil closing up 4.1% and base metals also solid with copper and aluminum closing up just over 2%. Gold pared a weekly drop last week as the dollar slipped and bond yields retreated from session highs.

Chart 1 - Dow Jones Industrial Index



Source: Bloomberg

U.S. stocks: S&P 500 finished 1.6% higher

- Stocks largely ran in place last week, with the S&P 500 edging out a slight gain. A slightly wider aperture reveals that equities are up 6% so far this year, while the one-year figure is still the show-stopper, with the S&P 500 gaining more than 75% since its March 23, 2020 low.
- The S&P 500 finished 1.6% higher at 3,975 while the Dow Jones Industrial Average added 1.4% to end at 33,073. Meanwhile, the Nasdaq Composite gave up 0.6% to end at 13,139.
- AMC Entertainment Holdings (-6.4%) shares fell on Friday after a strong 21% rise on Thursday for the movie chain.
- Another so-called meme stock, GameStop (-1.5%) fell after a 53% jump on Thursday.
- Zoom Video Communications (+1.62%) closed modestly higher even as a technical warning appeared in the company's stock chart.

Interest rates				
USD	26-Mar-21	19-Mar-21	29-Dec-20	+/-
UST 2Y	0.14	0.15	0.13	(0.01)
UST 5Y	0.87	0.88	0.38	(0.02)
UST 10Y	1.68	1.72	0.94	(0.04)
UST 20Y	2.28	2.34	1.47	(0.06)
UST 30Y	2.38	2.43	1.68	(0.06)
ROP 3Y	0.71	0.82	0.39	(0.11)
ROP 4Y	0.99	1.06	0.51	(0.07)
ROP 9Y	2.25	2.32	1.53	(0.07)
ROP 10Y	2.16	2.26	1.52	(0.10)
ROP 25Y	3.16	3.20	2.59	(0.04)
PHP	26-Mar-21	19-Mar-21	29-Dec-20	+/-
2Y	2.26	2.35	1.80	(0.09)
3Y	2.73	2.91	1.86	(0.18)
4Y	2.91	3.12	2.33	(0.21)
5Y	2.91	3.31	2.48	(0.40)
7Y	4.02	4.30	2.92	(0.28)
10Y	4.08	4.31	2.87	(0.24)
11Y	4.17	4.18	2.95	(0.01)
20Y	4.98	4.99	3.93	(0.00)
20Y*	5.07	5.15	3.94	(0.08)
USDPHP	48.490	48.620	52.580	(0.130)

Source: Bloomberg

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PSEi back above 6,500 amid bargain-hunting

- Despite the continued spike in daily new COVID-19 cases, the local stock market recovered some ground last week as bargain-hunters overpowered investors who were still cautious. The PSEi successfully reclaimed the 6,500 level to end 1.69% higher week-on-week (WoW) at 6,544.63. Retailers RRHI (+11%, WoW) and PGOLD (+8.7%) were the top index leaders as they bounced from oversold conditions. PGOLD also got a tailwind from a strong 4Q20 earnings performance which surpassed both In-house and Street’s expectations. On the other hand, MPI (-3.6%) was the index’s biggest loser as its toll business could take a hit from the reduced traffic volume amid the return to a stricter quarantine measures.
- On the macro front, the BSP decided to keep its key interest rate unchanged, saying that inflation risks remain “broadly balanced” for the rest of 2021. BSP Governor Diokno also mentioned that “It is too early to talk about exit strategy at this time. We share the view that 2021 will be a recovery year and that the economy will not be back to its 2019 level in the aggregate until perhaps the second half of 2022.”

PHP fixed income

- A strong buying momentum on the street pushed local yields to close 15-30bps lower WoW, as markets shrugged off concerns on rising inflation as the BSP reiterated that they viewed it to be transitory. 5Y yields closed below 3% at 2.95%, 3Y yields at 2.75% levels. The long end of the curve also saw decent action, closing 20-30bps WoW lower as well.

USD fixed income

- Treasury yields closed the week lower at 1.65 in a minor correction, after having found resistance at the 1.72-1.75 levels last week. ROP spreads grinded tighter week on week, closing tighter by about 4-5bps. Outside the US, COVID cases have been rising again, prompting a bit of flight to safer assets as we head towards quarter-end.

Outlook for the week

Stock market

- We expect the PSEi to trade between the 6,400 to 6,600 range during this shortened week. Noticeably, turnover has contracted to around Php 6 Bn per day compared to more than Php 8 Bn in the previous months as the lack of interest in the market has persisted, largely due to the slow pace of vaccination, and the increasing COVID trend once again. In terms of economic data releases, Feb budget balance (- Php14.1 Bn prev) and bank lending (prev -2.4% yoy) will be released in the coming week.

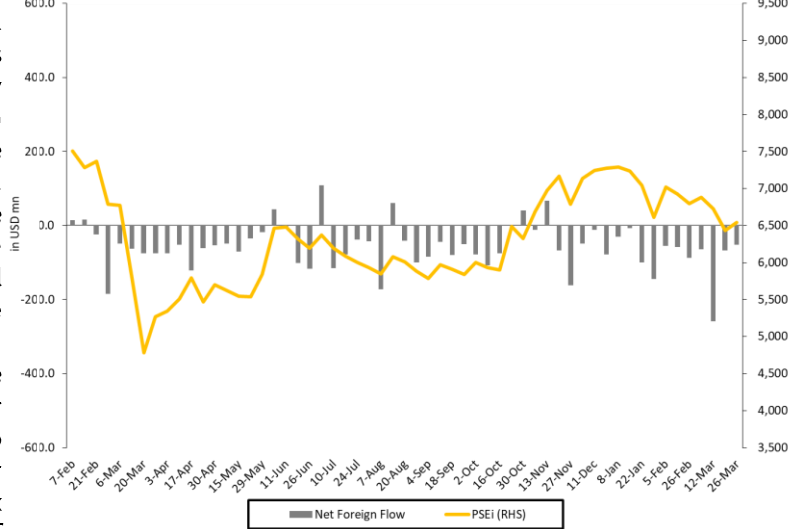
PHP fixed income

- We expect yields to trade this higher range for the near term, with markets to remain defensive given the shortened work week.

USD fixed income

- We expect yields to consolidate in this range for the near term (1.50-1.75%).

Chart 2 - Philippine Stock Exchange Index



Source: Sun Life Financial Philippines

Sectors: Property +2.91%, Services +2.45%, Mining and Oil +1.44%, Conglomerates +1.17%, Industrials +0.82%, and Banks +0.22%.

Leaders: RRHI +11.0%, PGOLD +8.7%, DMC +8.6%, SMC +7.0%, SMPH +5.1%

Laggards: MPI -3.6%, MER -3.4%, RLC -2.4%, BPI -1.8%, SECB -1.6%

Source: Bloomberg, The Philippine Stock Exchange