

4Q20 earnings miss, vaccine delays put pressure on PSEi

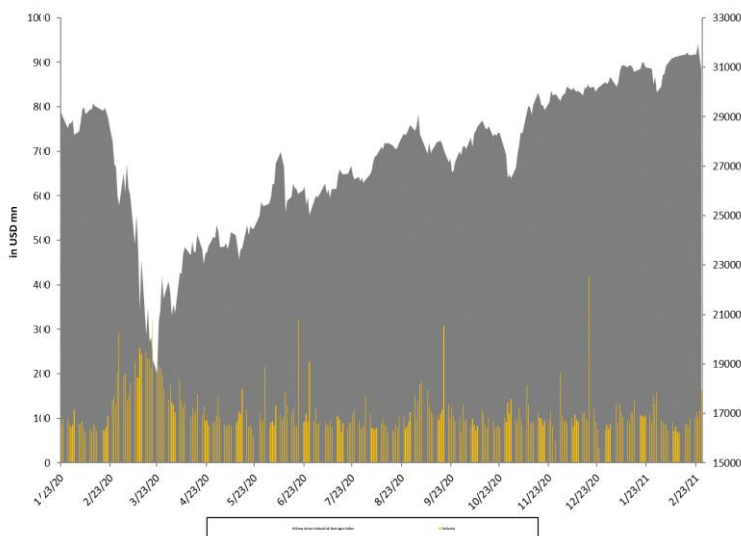
| 01 March 2021

- The PSEi finished the week 1.9% lower at 6,794.86 as several 4Q20 earnings misses and vaccine delay news have created a cautious sentiment among investors, while foreign funds continued to unload.
- Consumer data showed that Americans increased spending in January for the first time in three months, after the government sent US\$600 stimulus checks.
- The S&P 500 finished 2.4% lower at 3,811 while the Dow Jones Industrial Average dipped 1.8% to end at 30,932. Meanwhile, the Nasdaq Composite sank 4.9% to 13,192.

U.S.: Jan consumer spending jumped 2.4%

- Consumer data showed that Americans increased spending in January for the first time in three months, after the government sent US\$600 stimulus checks to families and boosted unemployment benefits as part of effort to shore up the economy. Consumer spending jumped 2.4%, the government said, marking the biggest increase since last June.
- Johnson & Johnson's vaccine was cleared for use in the U.S., making a third shot available that could plug gaps in the nation's immunization campaign. The FDA granted an emergency-use authorization for the single-dose vaccine for people 18 and older. EU approval may come in two weeks, according to France's European affairs minister.
- The Bloomberg Commodity Index halted a four-week rally as raw materials plummeted. WTI sank below US\$62 a barrel, denting its best ever start to the year. Copper posted a worse day than gold for the first time in three weeks. China's coal use climbed by 0.6% in 2020, official data showed on Sunday.

Chart 1 - Dow Jones Industrial Index



Source: Bloomberg

U.S. stocks: S&P 500 lost 2.4%

- All eyes were on interest rates last week, as the rise in government bond yields accelerated, unsettling both equity and fixed-income markets. Bond volatility spiked to the highest level since April of last year, spilling over to other asset classes like Equities.
- The S&P 500 finished 2.4% lower at 3,811 while the Dow Jones Industrial Average dipped 1.8% to end at 30,932. Meanwhile, the Nasdaq Composite sank 4.9% to 13,192.
- Salesforce.com (-6.31%) was down after the company late Thursday topped estimates for profit and revenue but offered earnings guidance for the coming year that was a hair lower than analysts' estimates.
- DoorDash (+1.57%) shares gained, after the app-based food-delivery company said in its first earnings report since going public that its revenue more than tripled in the fourth quarter, even as its net loss more than doubled.
- Airbnb (+13.34%) continued to hold up better than other online-travel companies in the holiday season, according to its first earnings report as a public company.

Interest rates				
USD	26-Feb-21	19-Feb-21	29-Dec-20	+/-
UST 2Y	0.13	0.10	0.13	0.02
UST 5Y	0.73	0.58	0.38	0.16
UST 10Y	1.40	1.34	0.94	0.07
UST 20Y	2.04	1.97	1.47	0.07
UST 30Y	2.15	2.13	1.68	0.02
ROP 3Y	0.59	0.46	0.39	0.13
ROP 4Y	0.78	0.62	0.51	0.17
ROP 9Y	2.16	1.82	1.53	0.34
ROP 10Y	2.15	1.87	1.52	0.28
ROP 25Y	3.12	2.83	2.59	0.30
PHP	26-Feb-21	19-Feb-21	29-Dec-20	+/-
2Y	1.99	1.88	1.80	0.11
3Y	2.27	2.24	1.86	0.03
4Y	2.64	2.54	2.33	0.10
5Y	2.89	2.79	2.48	0.10
7Y	3.23	3.07	2.92	0.16
10Y	3.68	3.28	2.87	0.41
11Y	3.99	3.27	2.95	0.71
20Y	4.84	4.12	3.93	0.72
20Y*	4.31	4.02	3.94	0.29
USDPHP	48.590	48.451	52.580	0.139

Source: Bloomberg

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4Q20 earnings miss, vaccine delays put pressure on PSEi

- The local stock market ended February on a weak note as 4Q20 corporate earnings releases fell below expectations, with investors already on the sidelines ahead of the vaccine rollouts. The PSEi lost 1.9% Week-on-Week (WoW) to finish at 6,794.86 as foreign investors sold a net amount of US\$ 87 Mn. SM (-5.3%, WoW) was pummeled by foreign investors and ended as one of the worst index laggards after its FY20 net income declined by 48% yoy. SM's Property and Retail segments were hit heavily by the COVID-19 pandemic. On the other hand, BPI (+3.6%) closed the week strong after the Banks' board approved merger with its thrift bank unit BPI Family Savings Bank.
- On the vaccine news developments, the COVAX vaccine delivery scheduled for mid-February has been delayed due to the lack of indemnification paperwork. Meanwhile, around 600K doses of Sinovac are scheduled to arrive within this week allowing the government to begin the vaccine rollout in March. For AstraZeneca, the 500K doses were likewise supposed to arrive today but has been moved to next week.

PHP fixed income

- Peso bond yields moved 40-60bps higher WoW, a result of a very spooked and defensive market and the extreme moves in US Treasuries. 10Y GS yields moved to 3.80-4.00%, and 5Y to roughly 2.90%. The 3Y RTB selling period is still open; however, the recent moves have eroded the premium it offered.

USD fixed income

- Treasury yields reached as high as 1.6% before closing the week 4bps higher at 1.40%. Markets continue to price in additional fiscal stimulus, and now even the possibility of the Fed unwinding purchases and hiking rates earlier (though the Fed has communicated otherwise). ROP spreads were defensive to start the week, with bid-offer 1-2pts wider, though closed the week at 70-75bps spread.

Outlook for the week

Stock market

- The PSEi will likely trade between the 6700 to 7000 range given headlines on the vaccine front and its implications on quarantine restrictions across the country. We expect sentiment to remain weak as concerns mount on inflation, and on the pace of economic recovery. Investors will closely watch the February inflation print at the end of the week. Earnings releases from more index names in the coming days may likewise dictate market direction over the short term.

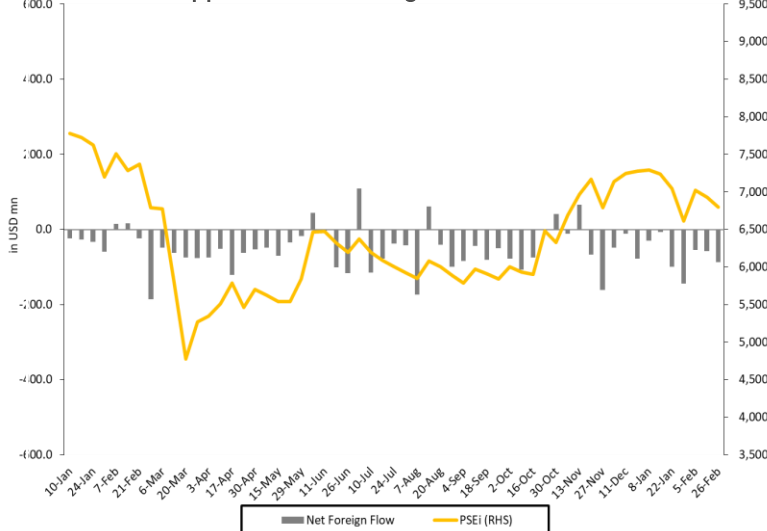
PHP fixed income

- Markets will likely remain defensive amidst the volatile US yields and still-open RTB selling period. Investors will also watch out for the Feb inflation print where the current Consensus is +4.7%.

USD fixed income

- We expect some retracement for the dollar yields given their extreme moves over the past few sessions. The next target if 1.40% breaks to the downside will be 1.25%.

Chart 2 - Philippine Stock Exchange Index



Source: Sun Life Financial Philippines

Sectors: Banks +0.39%, Property +0.33%, Mining and Oil -0.69%, Services -1.76%, Industrials -3.44%, and Conglomerates -3.72%.

Leaders: BLOOM +4.2%, BPI +3.6%, AGI +3.3%, LTG +2.0%, RLC +1.8%

Laggards: MEG -6.9%, AP -6.7%, AC -6.2%, URC -5.7%, SM -5.3%

Source: Bloomberg, The Philippine Stock Exchange

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