

Investors on wait-and-see mode

3 May 2021

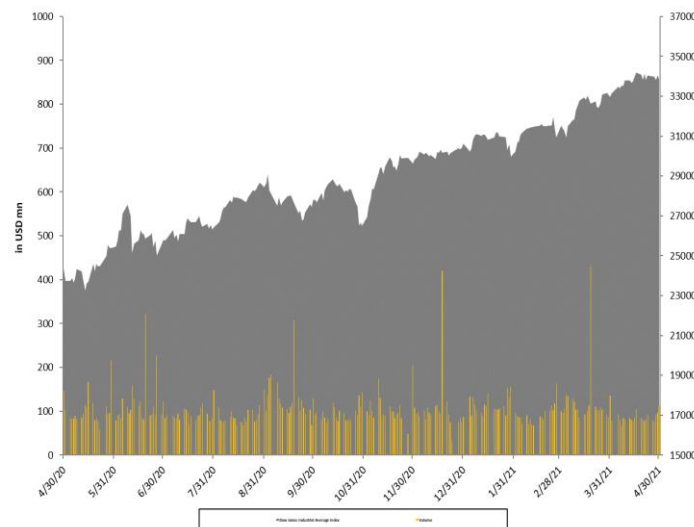
- US stocks flat to slightly negative for the week, but still up for the month. EU equities down on economic slowdown concerns.
- US and PH yields trade rangebound as investors remain defensive
- US GDP growth accelerated in 1Q21 on consumer spending fueled by fiscal stimulus

US equities end week flat to slightly lower despite encouraging corporate earnings. EU markets down on weak economic data.

- Major US indices DJIA, S&P 500, and Nasdaq ended the week at -0.50%, +0.02%, -0.39% respectively, while volatility spiked at +7.39%, though tech companies posted mostly positive results for the quarter so far. Last week, Amazon reported earnings which beat consensus estimates while Twitter missed expectations. For the month of April however, the main benchmarks posted gains of 2.4%, 5.6%, and 7%, respectively on investors' hopes for an economic rebound post-pandemic. In other news, Treasury Secretary Janet Yellen rebuffed inflationary concerns resulting from President Joe Biden's spending proposal, stating that the government has the tools to address inflation should it become an issue. Meanwhile, European stocks were mostly down, with the DAX, STOXX Europe 600, CAC, and FTSE -1.05% posting -0.64%, -0.10%, +0.45% w-w respectively. The euro zone's GDP contracted 0.6% in 1Q21, indicating the second technical recession in more than a year.

Source: JP Morgan

Chart 1 - Dow Jones Industrial Index



Source: Bloomberg

US posts healthy economic growth in the first quarter. Fiscal stimulus boosts consumer spending in March.

- US GDP rose an annualized 6.4% in the first quarter, coming off a 4.3% growth rate in the last quarter of 2020. The results were fueled by COVID-19 relief provided by the government to households, which helped spur consumer spending. Note that consumption accounts for more than two-thirds of US economic activity. In March, consumer spending rose 4.2% (vs -1.0% in February), while personal income grew 21.2% (vs -7% in February) aided by checks given to low and middle income households as part of the US government's USD1.9tn fiscal stimulus. The pandemic relief money and expansion of the COVID-19 vaccination program to include all adults have helped a measure of household sentiment rise to a 13-month high in April.

Source: JP Morgan, Reuters

Interest rates				
USD	30-Apr-21	23-Apr-21	29-Dec-20	+/-
UST 2Y	0.16	0.16	0.13	0.00
UST 5Y	0.85	0.82	0.38	0.03
UST 10Y	1.63	1.56	0.94	0.07
UST 20Y	2.17	2.12	1.47	0.05
UST 30Y	2.30	2.23	1.68	0.06
ROP 3Y	0.50	0.54	0.39	(0.03)
ROP 4Y	0.84	0.87	0.51	(0.03)
ROP 9Y	2.08	2.11	1.53	(0.03)
ROP 10Y	2.11	2.07	1.52	0.05
ROP 25Y	3.12	3.05	2.59	0.07
PHP	30-Apr-21	23-Apr-21	29-Dec-20	+/-
2Y	2.28	2.28	1.80	0.00
3Y	2.55	2.56	1.86	(0.01)
4Y	2.98	2.97	2.33	0.01
5Y	2.88	2.85	2.48	0.03
7Y	3.68	3.63	2.92	0.05
10Y	3.88	3.80	2.87	0.08
11Y	3.98	3.97	2.95	0.02
20Y	4.81	4.91	3.93	(0.09)
20Y*	4.81	4.92	3.94	(0.11)
USDPHP	48.100	48.381	52.580	(0.281)

Source: Bloomberg

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Philippine Equities

- The PSEi declined slightly to 6,370.87 last week, down -0.1% w-w despite the slight relaxation of quarantine measures such as shorter curfew hours and 10% dine-in capacity for restaurants as investors monitor the government's response to the pandemic. Data from the BSP showed that foreign portfolio investments or "hot money" in the Philippines posted a net outflow of USD541mn in March, 44% lower than the USD961mn in the same period last year but significantly higher than the USD40mn outflow last February. The BSP also reported that the local banking industry expects non-performing loans (NPL) to represent slightly above 5% of loan portfolio by end-FY21. Key economic data such as the April inflation rate and March unemployment rate are set to be released this week. Meanwhile, 1Q21 earnings season is currently underway, with several corporates slated to announce their 1Q21 results this week, including SM Prime (SMPH), Metrobank (MBT), SM Investments (SM), Metro Pacific (MPI), Globe Telecom (GLO), PLDT (TEL), San Miguel Corporation (SMC), and International Container Terminal Services (ICT).

USD fixed income

- Dollar benchmark rates continue to trade rangebound - despite improving US economic data, the Federal Reserve is keeping its stance that it is too early to talk about tapering. Nonetheless, markets are expecting taper talks to accelerate in May and June. 10Y yields closed the week 7bps higher at 1.63%, ROP spreads continued to hover at +50bp levels.

PHP fixed income

- Local yields moved sideways over the week as market participants continued to be defensive ahead of this week's 5Y re-issuance and CPI print. 3Y yields closed at 2.60%, 5Y at 3.275%, and 7Y at 3.675%. Market moves are still dictated short-term by US benchmark rates, which are also trading in their recent ranges.

Outlook for the week

Stock market

- We expect the PSEi to continue to move between 6,325 and 6,500 as investors digest 1Q21 corporate earnings results. Nevertheless, we note that if new COVID-19 daily cases pick-up again, the bellwether index could break-down and re-test the 6,200 mark. The US 10-year yield movement will also be closely watched as inflation pressures remain high amid record-high commodity prices.

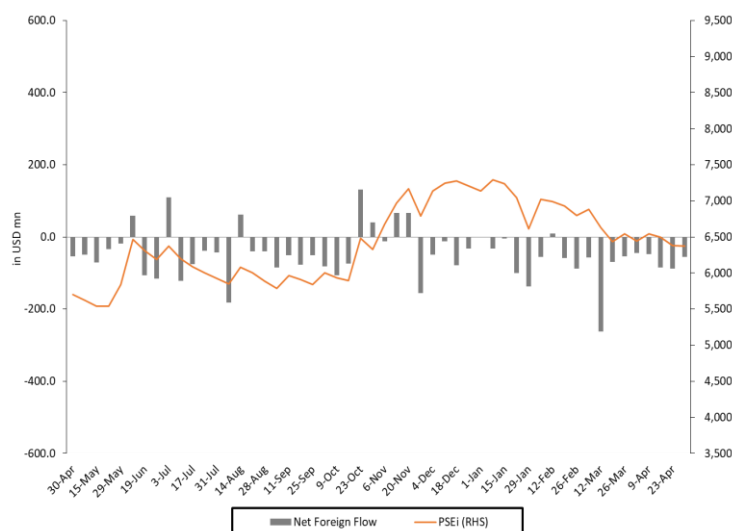
USD fixed income

- Expecting range-bound trading for dollar yields as the Fed maintains its stance on tapering.

PHP fixed income

- Market will likely continue to be rangebound amidst a lack of catalysts. Markets are looking at this week's inflation print (exp 4.7%) and next week's BSP MB meeting for more direction.

Chart 2 - Philippine Stock Exchange Index



Source: Sun Life Financial Philippines

Sectors: Mining and Oil +10.5%, Financials +0.74%, Industrials +0.68%, Services +0.5%, Conglomerates -0.11%, Property -0.98%

Leaders: URC +3.7%, BLOOM +2.0%, AEV +2.0%, SECB +1.8%, BPI +1.6%

Laggards: RLC -4.0%, GTCAP -3.1%, JGS -2.1%, GLO -2.0%, BDO -1.8%

Source: Bloomberg, The Philippine Stock Exchange