

Global equities rise on encouraging corporate earnings

25 October 2021

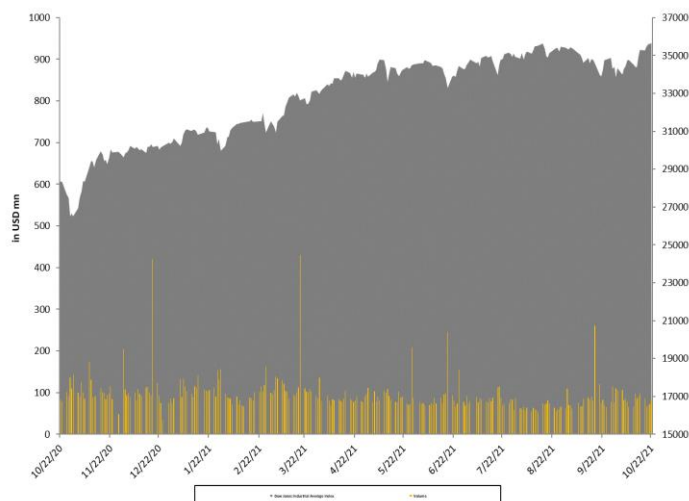
- US and EU stocks up on earnings beats, PH equities higher on expectations of further economic reopening.
- US yields higher across the curve with ROP spreads narrower given risk-on sentiment, while PH rates flat on lack of catalysts.
- US jobless claims decline to record low, EU PMI dragged by supply chain disruptions.

US and EU markets higher on corporate earnings beats

- US equities closed higher for the week buoyed by strong earnings results of large corporates and better than expected jobs data. According to Refinitiv, majority of S&P 500 companies have reported earnings ahead of Street expectations so far. Financial services company American Express posted results that beat consensus forecasts partially due to higher dine out transactions. The DJIA, S&P 500, and Nasdaq all closed in the green at +1.08% w-w, +1.64%, and +1.29% while the VIX dropped 5.34% w-w. European stocks likewise ended the week higher as investors put the spotlight on positive newsflow on China's Evergrande Group and EU corporate earnings beats, while largely ignoring disappointing economic data. The surprise interest payment by the Chinese property developer to avoid a default assuaged investors' concerns of a contagion. French cosmetics company L'Oreal posted better than expected sales while French mall owner Klepierre reported retailer sales and rent collection approximating pre-COVID levels. Major benchmarks were up w-w with the FTSE 100 at +0.01%, DAX +0.44%, CAC 40 +0.91%, and Stoxx 600 +1.04%.

Source: JP Morgan, Reuters, The Wall Street Journal

Chart 1 - Dow Jones Industrial Index



Source: Bloomberg

US jobless claims hit record low; EU PMI decelerates in October

- The US Labor Department reported that initial jobless claims reached a record low of 290,000 last week, lower by 6,000 vs the prior week and the 300,000 Dow Jones estimate. Continuing claims likewise fell to their lowest level to 2.48mn, lower by 122,000 vs the prior week.
- The initial PMI reading by IHS Markit for the eurozone in October was recorded at 54.3, down from 56.2 in September and a six-month low for the region. The disappointing print was attributed to rising costs and supply chain disruptions for manufacturing and services companies.

Source: JP Morgan, CNBC, Financial Times

Interest rates				
USD	22-Oct-21	15-Oct-21	29-Dec-20	+/-
UST 2Y	0.45	0.39	0.13	0.06
UST 5Y	1.20	1.13	0.38	0.07
UST 10Y	1.63	1.57	0.94	0.06
UST 20Y	2.05	2.01	1.47	0.04
UST 30Y	2.07	2.04	1.68	0.03
ROP 2Y	1.01	1.04	0.44	(0.03)
ROP 3Y	1.34	1.41	0.48	(0.07)
ROP 9Y	2.12	2.22	1.52	(0.09)
ROP 10Y	2.17	2.21	1.52	(0.04)
ROP 24Y	3.03	3.07	2.59	(0.04)
PHP	22-Oct-21	15-Oct-21	29-Dec-20	+/-
2Y	2.27	2.13	1.86	0.14
3Y	2.48	2.39	1.86	0.08
4Y	3.11	3.04	2.48	0.07
5Y	3.11	3.04	2.48	0.07
7Y	4.33	4.37	2.92	(0.04)
10Y	4.76	4.73	2.87	0.03
11Y	4.86	4.86	2.95	(0.00)
20Y	5.11	5.07	3.94	0.03
20Y*	5.11	5.07	3.94	0.03
USDPHP	50.786	50.711	52.580	0.075

Source: Bloomberg

DISCLAIMER: This material is for information purposes only and is subject to change at any time without notice. Sun Life of Canada (Philippines), Inc. does not guarantee its accuracy, completeness, correctness or timeliness for any purpose or reason. This information is given in summary form and does not purport to be complete and should not be considered as advice or recommendation in relation to your holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. You may not revise, transform, or build upon this material without prior written consent of Sun Life of Canada (Philippines), Inc. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant documentation and in particular, you should seek independent financial advice from your Sun Life Financial Advisor.



Philippine Equities

- The PSEi rose 1.06% w-w to 7,289.61 on investor optimism given declining COVID-19 cases and expected easing of lockdown restrictions in Metro Manila by November. In terms of the COVID situation, cases and positivity rates continue to decline. Today, new cases have eased to 5,823, and the national 7-day moving average has finally moved down to 5,773, a reduction of 69% from last month's 18,751, and at the delta variant induced figure of 20k. Positivity rates remain at elevated levels, but is already on its way down, with latest print at 11.6%, which is lower than last month's 24.6% and the peak delta infection rate of 28%. We continue to monitor the rate of increase in new daily COVID-19 cases to see if the recent deceleration will be sustained. On the macro front, infrastructure spending for the first eight months of 2021 jumped 44.6% to PHP570.4bn from PHP394.5bn a year ago as big-ticket projects continued implementation despite prolonged quarantine. Meanwhile, BPI kicked off the earnings season, reporting 9M21 net income of PHP17.5bn, up 1.8% y-y, barely in line with consensus estimates and slightly behind in-house expectations. 9M21 corporate earnings results of BDO, MER, WLCON, URC are set to be announced this week. On the macro front, the Sept bank lending (prior 1.6%) will be released this week.

USD fixed income

- The US treasuries curve initially saw a bear steepening move early in the week but eventually saw levels flatten back to close with yields across the curve around 3 to 4 bps higher. ROP spreads slowly tighten further as risk sentiment slightly improves further.

PHP fixed income

- As the BTr rejected last week's 6 year bond auction, markets saw a relatively quiet market for most of the week with yields staying relatively flat week-on-week.

Outlook for the week

Stock market

- PSEi may take a breather after strong run-up of 4.8% MTD. Investors will watch out for any surprises in 9M21 corporate earnings, which may influence stock prices. Moving forward, reopening theme should prevail as the country continues to see further decline in COVID-19 cases.

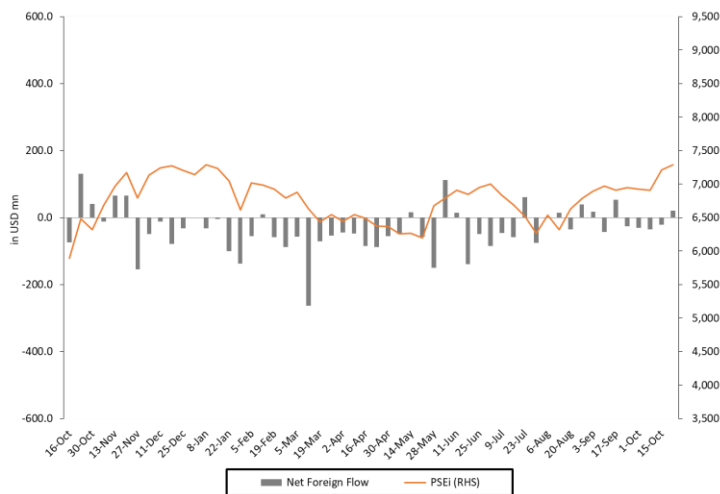
USD fixed income

- US yields remain elevated see sideways movement in the meantime as the market waits for better guidance from the Federal Reserve.

PHP fixed income

- As the BTr and BSP reaffirm its accommodative stance, the market is seen to remain range-bound with players continuing to buy on any dips.

Chart 2 - Philippine Stock Exchange Index



Source: Sun Life Financial Philippines

Sectors: Mining and Oil -2.05%, Services -1.49%, Financials -1.37%, Industrials +0.57%, Property +0.73%, Holding Firms +3.48%

Leaders: RLC +7.86%, JGS +6.40%, AEV +5.88%, URC +5.11%, BLOOM +4.91%

Laggards: TEL -3.02%, BDO -3.03%, WLCON -3.57%, PGOLD -4.44%, GLO -5.65%

Source: Bloomberg, The Philippine Stock Exchange