US, EU, and PH rise on reopening plays and earnings results
8 November 2021

- **Travel stocks up for US and EU equity markets, PH up on continued loosening of mobility restrictions; earnings releases ongoing**
- **Eyes on US inflation with regards to rate hike outlook for fixed income, waning interest for domestic debt issuances**
- **US jobs creation better than expected, Fed to begin winding-down asset purchases starting this month**

US equities reach record levels on jobs data and reopening optimism. EU up on travel and Pfizer COVID-19 pill news.

- The October jobs creation report, tech & travel names, and COVID-19 pill development drove US equity markets last week. Several airlines, cruises, and online travel booking stocks rallied on the Pfizer pill development, with Pfizer itself also gaining. Tech names Qualcomm, Nvidia, and Lyft likewise did well on good results and improving outlooks. The Dow Jones, S&P and Nasdaq were +1.42%, +2.00%, +3.05%, week-on-week, respectively, while volatility was +1.35% for the week.

- Equities in the EU region largely followed the US' que with travel-related stocks also doing well and with earnings release-related movements. IAG (travel), Allegro.eu (tech) did well, while Deutsche Post and BT Group benefitting from upward revisions on earnings outlooks. The FTSE, STOXX 600, CAC and DAX were +0.92%, +1.67%, +3.08%, +2.33% week-over-week last week, respectively.

Source: JPM

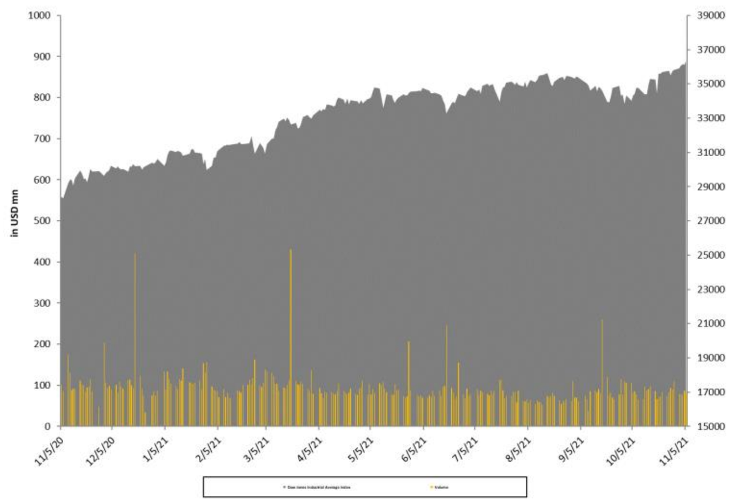
US jobs creation better than expected, Fed taper starting this month. UK holds rate steady despite inflationary pressures.

- US job creation for the month of October totaled 531K, higher than consensus estimate of 450K. September jobs creation data was also revised upward from 194K to 312K, with August likewise enjoying an upward revision of a similar amount. The Fed is also set to taper its asset purchases by USD15bn starting this month, with rate hikes possible as early as the second half of 2022. President Biden has yet to decide on who will lead the central bank next year, with current Fed Chairman Jerome Powell seen as the favored choice.

- The UK central bank decided to hold rates steady last week despite inflationary pressures. In other EU macro news, Germany reported a surprise sequential decline in retail sales and industrial production. Euro zone unemployment was also reported to have declined to 7.4% in September from 7.5% in August.

Source: JPM

Chart 1 - Dow Jones Industrial Index



Source: Bloomberg

Interest rates				
USD	**05-Nov-21**	**29-Oct-21**	**29-Dec-20**	**+/-**
UST 2Y	0.40	0.50	0.13	(0.10)
UST 5Y	1.06	1.18	0.38	(0.13)
UST 10Y	1.45	1.55	0.94	(0.10)
UST 20Y	1.89	1.97	1.47	(0.08)
UST 30Y	1.89	1.93	1.68	(0.05)
ROP 3Y	0.92	0.97	0.44	(0.05)
ROP 4Y	1.25	1.31	0.48	(0.06)
ROP 9Y	1.97	2.06	1.52	(0.09)
ROP 10Y	2.03	2.09	1.52	(0.06)
ROP 24Y	2.87	2.90	2.59	(0.04)
PHP	**05-Nov-21**	**29-Oct-21**	**29-Dec-20**	**+/-**
2Y	2.10	2.14	1.86	(0.04)
3Y	2.55	2.43	1.86	0.12
4Y	3.20	3.08	2.48	0.12
5Y	3.20	3.08	2.48	0.12
7Y	4.37	4.09	2.92	0.28
10Y	4.65	4.58	2.87	0.07
11Y	4.86	4.87	2.95	(0.01)
20Y	5.03	5.02	3.94	0.02
20Y*	5.03	5.02	3.94	0.02
USDPHP	**50.330**	**50.415**	**52.580**	**(0.085)**

Source: Bloomberg

Sun Life Financial

Philippine Equities

- The PSEi rallied by 4.1% week-over-week to 7,340.77 last week as the government decided to once again loosen quarantine restrictions in Metro Manila. Metro Manila has been placed under alert level 2 as of last Friday from its prior level 3 as COVID-19 cases have continued to sustain a downtrend. Under the new alert level, entertainment and food establishments are allowed to operate at higher capacities of 50%-70% dependent on whether indoors and outdoors. Metro Manila's 12am to 4am curfew has also been lifted, but subject to LGU guidelines with regards to minors.
- The national 7-day average of new COVID-19 cases is now below 4K, almost half the average 7,700 daily cases last month and far from the 18,600 peak in September. Positivity was last reported at 5.2%, while active cases was at 33,526. The vaccination rate continues to pick-up at an average 649K jabs per day with 29mn people already receiving two doses and 34mn people with one dose.
- On macro news, October inflation was reported last week to have decelerated to 4.6% from 4.8% in the prior month. However, unemployment for September was at 8.9% vs 8.1% in August as labor participation declined marginally to 63.3% from 63.6%.

Chart 2 - Philippine Stock Exchange Index

Source: Sun Life Financial Philippines

Sectors: Property +7.39%, Financials +4.40%, Services +3.32%, Holding Firms +3.06%, Industrial -0.01%, Mining & Oil -1.36%
Leaders: RLC +10.59%, BLOOM +10.29%, SMPH +8.76%, BPI +7.53%, ALI +6.84%
Laggards: URC -4.28%
Source: Bloomberg, The Philippine Stock Exchange

USD fixed income

- US Treasury yield curve bull flattened last week where we saw the Fed formally announce its tapering plan and NFP print showed weak numbers on the labor participation front. Markets are now pricing-in the earliest rate hike by September 2022 from July 2022 the previous week.

PHP fixed income

- Local bonds bear steepened anew last week. Despite the lower than expected October CPI print, yields reversed earlier gains following a weak 5-77 auction. We saw the belly underperform with 5-77 climbing by 50bps week-over-week and 7Y bonds rising by 25-30bps week-over-week.

Outlook for the week

Stock market

- We have an upward bias for the PSEi next week as we think investors will continue to bet on sustained economic recovery amid declining COVID-19 cases and loosening quarantine restrictions in the country. Nevertheless, we think there will be an immediate resistance at the 7,500 level while support will be at 7,200. We also expect favorable movements from companies that will show strong 3Q21 earnings and healthy 2022 outlook.

USD fixed income

- Yields are looking to test the lower end of their range with 10Y yield at 1.45% (support at 1.40%) and 30Y yield at 1.89% (support at 1.80%). However, higher inflation could challenge the transitory inflation narrative and influence the market to price in more aggressive rate hike bets.

PHP fixed income

- Local bond yields will look to touch fresh YTD highs amid supply concerns and waning investor appetite on the weekly auctions.