

# Markets continue to feel the effects of Omicron

## 6 December 2021

- Foreign equity markets continue to be volatile due to Omicron, Philippines down over the same concerns
- Fixed income markets pricing-in a possible tightening of monetary policy amidst concerns over slowing economic growth
- Omicron now found in 38 countries, Philippine loan growth and manufacturing activity continues to show improvement

### US tech and tourism and mobility stocks fell last week. EU markets still looking for guidance on the variant.

- Omicron developments continued to dominate trading activity for most US equity names last week. Hotels, airlines, cruise lines, and ride-hailing names were battered as reopening prospects took a hit in light of the new variant. Some tech stocks (Tesla, Zoom, Docusign) were also down last week on unfavorable guidance vs what the street was imputing. The Dow Jones, S&P and Nasdaq were -0.91% -1.22% -2.62%, week-on-week, respectively, while volatility was +7.16% for the week.
- EU equity markets see-sawed last week as uncertainties remained over the impact of Omicron. There was some recovery posted for travel stocks earlier in the week, but gains were pared as the variant was found in more and more countries. The rest of the major moves were dominated by corporate action and guidance. The FTSE, STOXX 600, CAC and DAX were +1.11%, -0.28%, +0.38%, -0.57% week-over-week last week, respectively.

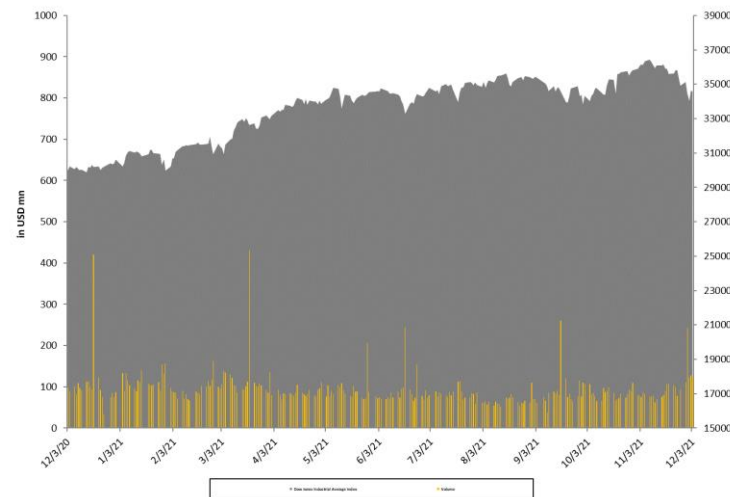
Source: JPM

### Omicron now found all over the world while clarity on the variant pending US November jobs data disappoints.

- The World Health Organization (WHO) stated on Friday that Omicron has been found in 38 countries, up 15 additional nations vs two days prior. Multiple countries have since restricted travel and leisure activities with some even pushing for the barring of non-vaccinated individuals from non-essential businesses. The WHO stated that clarity on the variant's severity and transmissibility should be coming over the following weeks.
- The US' November jobs report showed slower than expected jobs creation at 210K for the month vs economist expectations of 573K. The unemployment rate performed better though than expectations at 4.2% vs 4.5%. The Fed has been increasingly hawkish in-line with the improving US economy, with Raphael Bostic, Mary Daly, and Randal Quarles all calling for an acceleration to the taper of asset purchases.

Source: JPM

Chart 1 - Dow Jones Industrial Index



Source: Bloomberg

Interest rates				
USD	03-Dec-21	26-Nov-21	29-Dec-20	+/-
UST 2Y	0.59	0.50	0.13	0.09
UST 5Y	1.13	1.16	0.38	(0.03)
UST 10Y	1.34	1.47	0.94	(0.13)
UST 20Y	1.76	1.87	1.47	(0.12)
UST 30Y	1.67	1.82	1.68	(0.15)
ROP 3Y	0.94	0.91	0.44	0.03
ROP 4Y	1.14	1.24	0.48	(0.10)
ROP 9Y	2.06	2.10	1.52	(0.04)
ROP 10Y	2.12	2.16	1.52	(0.04)
ROP 24Y	3.00	3.05	2.59	(0.04)
PHP	03-Dec-21	26-Nov-21	29-Dec-20	+/-
2Y	2.69	2.64	1.86	0.05
3Y	2.81	2.84	1.86	(0.03)
4Y	3.69	3.40	2.48	0.29
5Y	4.85	4.84	2.95	0.01
7Y	4.28	4.24	2.92	0.04
10Y	4.99	4.99	3.13	(0.00)
11Y	4.85	4.84	2.95	0.01
20Y	5.00	5.00	3.94	0.00
20Y*	5.00	5.00	3.94	0.00
USDPHP	50.360	50.430	52.580	(0.070)

Source: Bloomberg

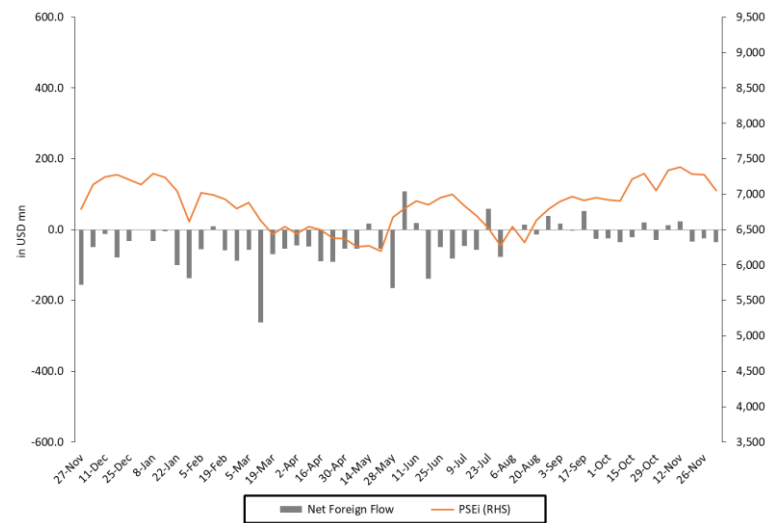
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## Philippine Equities

- The PSEi was down 3.07% week-over-week to 7,055.19 last week amid Omicron variant uncertainties and concerns. Medical experts expect data on the severity and transmissibility of the new COVID-19 variant of concern should be available over the next two weeks. Cases of the variant have now been found farther afield from South Africa such as in Hong Kong, Japan, Australia, and the US. Numerous countries around the globe have announced travel restrictions to and from South Africa and other African nations, where it was first discovered.
- The national 7-day average of new COVID-19 cases is now below 1,000 at 679, continuing the trend of weekly improvement. Positivity rates is also lower at 1.8% vs the prior week's 2.5%. The Philippines is breaching an average 1mn jobs per day, further accelerating due to the government's mass vaccination drive over the last few days. The media has reported that Philippines was able to vaccinate 7.6mn people over a three-day period last week alone.
- BSP data has shown that bank loans growth has accelerated for the third straight month last October to +3.5%. The latest PMI print also presented an eighth month high reading of 51.7 last November. In corporate news, Unionbank dominated headlines last week as it was expected to complete its acquisition of Citi Philippine's retail business.

Chart 2 - Philippine Stock Exchange Index



Source: Sun Life Financial Philippines

**Sectors:** Mining & Oil -1.30%, Financials -1.77%, Services -1.92%, Industrial -2.96%, Property -3.24%, Holding Firms -3.46%

**Leaders:** CNVRG +4.48%, SECB +0.43%, MER +0.34%

**Laggards:** LTG -8.93%, JFC -8.53%, BLOOM -7.32%, AC -5.72%, BDO -5.51%

Source: Bloomberg, The Philippine Stock Exchange

## USD fixed income

- US Treasury yield curve bear flattened week-on-week as the market showed concern toward the prospect of a tighter monetary policy amid slower economic growth. Both the 10Y and 30Y yields fell to multi-month lows and closed the week at 1.34% and 1.67%, respectively.

## PHP fixed income

- The local GS yield curve ended the week slightly steeper as the market took the opportunity to take profits when the new RTB 5-14 started trading.

## Outlook for the week

### Stock market

- PSEi may trade between 7,000-7,175 in the near term as investors continue to digest the impact of the Omicron variant. The local bourse will follow the direction of global markets, with foreign flows influencing stock prices.

### USD fixed income

- Key data for the week will be the November CPI print. Both the 10Y and 30Y yields have broken down their respective support levels last week and momentum is pointing towards further downside risk.

### PHP fixed income

- RTB 5-14 is still mispriced relative to the rest of the curve. This week's CPI print and 10Y auction may provide the catalyst for it to adjust.