

# Global equities rise as omicron concerns ease

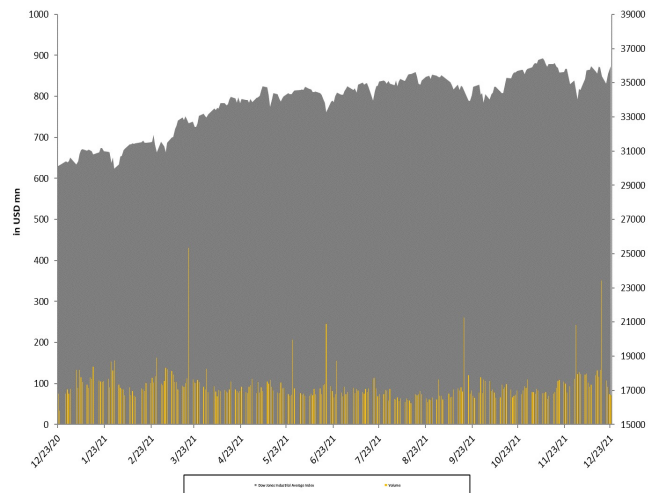
## 27 December 2021

- US equities rise on improving labor market, EU markets up on optimism re global economic recovery, PH stocks lower on typhoon Odette
- US Treasury yield curve bear steepens on positive news flow, with local bond yields tracking USTs
- US inflation dampens consumer spending, studies point to omicron as less severe vs delta

### US stocks rise on improved economic data, EU stocks up on easing omicron concerns

- US equities ended the week higher as latest economic data showed improving labor trends as weekly jobless claims remained subdued. However, the personal consumption expenditure index, the Fed's preferred inflation gauge, was higher vs expectations. The DJIA, S&P 500, and Nasdaq all closed in the green at +0.15% w-w, +1.22%, and +3.12% while the VIX fell 12.69% w-w. European stocks also rebounded as investors turned optimistic on global economic recovery as recent studies indicate less hospitalization risk for the omicron variant. Major benchmarks were up w-w with the FTSE 100 at +1.41%, DAX +0.77%, CAC 40 +2.31%, and Stoxx 600 +1.82%.

Chart 1 - Dow Jones Industrial Index



Source: CNBC, The Financial Times

Source: Bloomberg

### US inflation weighs on consumer spending; Omicron variant seen as less severe vs delta

- According to the Commerce Department, nominal consumer spending was up 0.6% in Nov (vs +1.4% in Oct). However, purchases of goods and services net of inflation were flat during the month (vs +0.7% in Oct). Inflation-adjusted spending shifted towards services (+0.5%) and out of goods (-0.8%). Meanwhile, the personal consumption expenditures (PCE) index rose 5.7% y-y in Nov (vs 5% in Oct), the highest print since 1982; the core PCE index (excluding food and energy) reached 4.7%.
- Studies from South Africa, England, and Scotland show that omicron cases are less likely to result in hospitalization vs delta. As per the South Africa study, people infected with omicron are 80% less likely to be hospitalized vs other strains. Data from England indicates 40% to 45% lower risk of hospitalization vs delta, while Scottish researchers suggested that omicron has 2/3 less hospitalization risk vs delta. Scientists caution that it is too early to conclude that omicron is milder and higher transmissibility raises the risk of healthcare systems being overwhelmed.

Interest rates				
USD	24-Dec-21	17-Dec-21	29-Dec-20	+/-
UST 2Y	0.69	0.64	0.13	0.05
UST 5Y	1.24	1.17	0.38	0.07
UST 10Y	1.49	1.40	0.94	0.09
UST 20Y	1.93	1.85	1.47	0.08
UST 30Y	1.91	1.81	1.68	0.10
ROP 3Y	0.94	0.86	0.44	0.09
ROP 4Y	1.04	1.07	0.48	(0.03)
ROP 9Y	2.00	2.00	1.52	(0.00)
ROP 10Y	2.04	2.02	1.52	0.02
ROP 24Y	2.98	2.92	2.59	0.07
PHP	24-Dec-21	17-Dec-21	29-Dec-20	+/-
2Y	2.48	2.43	1.86	0.06
3Y	2.49	2.57	1.86	(0.08)
4Y	3.39	3.35	2.48	0.04
5Y	4.77	4.51	2.95	0.26
7Y	4.31	4.15	2.92	0.17
10Y	4.94	4.85	3.13	0.09
11Y	4.77	4.51	2.95	0.26
20Y	5.02	4.91	3.94	0.10
20Y*	5.02	4.91	3.94	0.10
USDPHP	50.040	50.020	52.580	0.020

Source: CNBC, Bloomberg

Source: Bloomberg

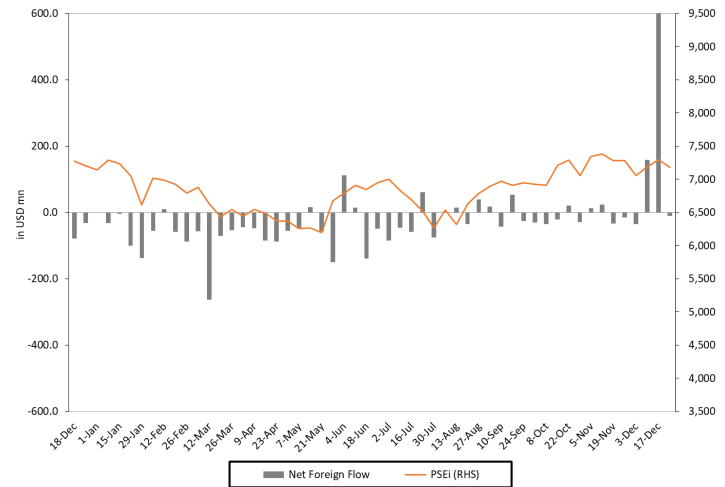
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## Philippine Equities

- The PSEi ended the week lower by 1.59% to 7,181.86pts on dampened investor sentiment due to Typhoon Odette. The government continues to report higher damages caused by Typhoon Odette, with infrastructure impact hitting PHP585.8bn, and agriculture damage and losses hitting PHP2.6bn. Six regions are now under a state of calamity, with the government urging priority for relief and rehabilitation efforts. M&A news quite active last week as UBP disclosed that its BoD approved the purchase of Citibank's Philippine consumer banking business and a new fund-raising activity intended to finance the same. In addition, CNPF announced the acquisition of 'Ligo', a legacy brand known for its range of high-quality sardines and other marine products. Shakey's Pizza Asia Ventures, Inc., (PIZZA) on the other hand announced the acquisition of Potato Corner, one of the leading food kiosk brands in the country. On the macro front, the country's balance of payments position returned to a deficit in November as the national government repaid some foreign loans and external trade improved. According to the Bangko Sentral ng Pilipinas (BSP), last month's BOP position swung to a USD123mn deficit, from the USD1.473bn surplus seen in November 2020. Moreover, November's BOP position also reversed the surplus worth USD1.141bn in October. Investors will watch out for developments in the COVID-19 cases following the detection of the first Omicron cases in the country. Trading volume may continue to be subdued in the coming week due to the Christmas and New Years holidays. Money supply and bank lending growth is expected to be announced this week.

Chart 2 - Philippine Stock Exchange Index



Source: Sun Life Financial Philippines

**Sectors:** Mining & Oil +1.19%, Industrial -0.02%, Financials -1.13%, Property -1.17%, Services -1.93%, Holding Firms -2.21%

**Leaders:** ACEN +6.03%, PGOLD +5.34%, RRHI +4.30%, CNVRG +3.13%, MBT +3.02%

**Laggards:** GLO -4.71%, JGS -4.29%, SM -3.75%, BLOOM -3.64%, SMPH -3.49%

Source: Bloomberg, The Philippine Stock Exchange

## USD fixed income

- US Treasury yield curve bear steepened last week on the back of strong GDP print and positive Omicron-related news flow. Both the 10Y and 30Y yields are now trading close to the 1.50% and 1.90% resistance levels, respectively.

## PHP fixed income

- Local bond yields bear steepened as well. We saw R5-14 underperform, losing ~15 bps WoW. Overall, market sentiment was influenced by USTs action and BTr's announcement of January auction schedule.

## Outlook for the week

### Stock market

- We expect the PSEi to trade between 7,100 to 7,300 on thin volumes during this Christmas day week. We do not expect significant moves but will still be watching out for developments in the Omicron variant.

### USD fixed income

- Global risk-on sentiment heading into 2022 may push yields higher. However, we expect recent ranges (e.g., 1.40%-1.60% for 10Y yields) to hold given reports of rising COVID-cases globally.

### PHP fixed income

- Local bond yields to continue sideways action amid thin market activity. USDPHP will likely trade within the 49.80-50.30 range.

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