

Earnings results influence markets, with some macro nuance

8 August 2022

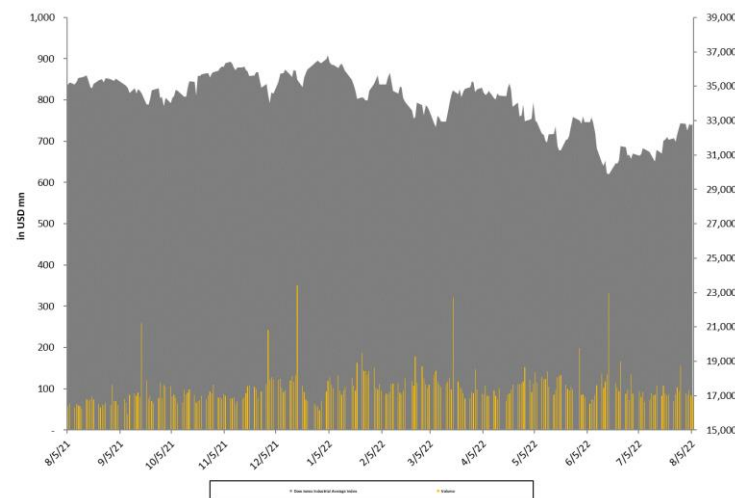
- Equity markets taking their queue from earnings season, local market took a step back though on increasing inflation
- Inflation-targeting rhetoric at the forefront, US CPI print later this week critical
- US Fed continuing to target inflation with some members dismissing US recession fears, commodities on a downtrend

Earnings releases, guidance, and corporate actions back in the spotlight. Some alleviation of recession concerns this week.

- Several notable US names beat earnings expectations last week such as Apple, Moderna, PayPal, Ford, CVS Health, Lyft, and Starbucks. With overall sentiment uplifted by an earnings season not as bad as some analysts had feared. The Dow Jones, S&P and Nasdaq were -0.13% +0.36% +2.15% week-on-week, respectively, while volatility was -0.84% for the week.
- EU equity markets likewise to their queue from company disclosures, though results weren't as encouraging. BMW and Novo Nordisk both were battered as the two missed forecasts. June Euro zone retail data was also not encouraging, falling a deeper than expected 1.2% m-m and 3.7% y-y. The FTSE, STOXX 600, CAC and DAX were +0.22%, -0.59% +0.37% +0.67% week-over-week last week, respectively.

Source: JPM

Chart 1 - Dow Jones Industrial Index



Source: Bloomberg

US Fed members continue to point towards continued rate hikes. Commodity prices continue softening from recent highs.

- James Bullard, Thomas Barkin, Mary Daly, and Loretta Mester were some of the notable US Fed members last week that continued to point towards raising benchmark rates in order to fight inflation. James Bullard also stated that he does not believe the US is really in a recession given continued job growth. Markets are currently pointing towards a ~50% chance for a 75bps FOMC hike in September.
- Both oil and metals continued to soften last week away from highs instigated by the Ukraine-Russia conflict. Libya's return to oil production has helped ease some of Europe's oil market tightness, while the US' crude oil stock rose and continues to push for increases in supply. Copper and other base metals pulled-back due to US-China tensions and concerns over a general recession, with gold registering some resilience as a repository of value.

Source: JPM

Interest rates				
USD	05-Aug-22	29-Jul-22	31-Dec-21	+/-
UST 2Y	3.23	2.88	0.73	0.34
UST 5Y	2.96	2.68	1.26	0.28
UST 10Y	2.83	2.65	1.51	0.18
UST 20Y	3.27	3.21	1.93	0.06
UST 30Y	3.07	3.01	1.90	0.06
ROP 3Y	3.24	3.25	0.91	(0.01)
ROP 4Y	3.32	3.42	0.98	(0.10)
ROP 9Y	3.67	3.71	2.02	(0.04)
ROP 10Y	3.61	3.71	2.00	(0.10)
ROP 24Y	4.34	4.32	2.94	0.02
PHP	05-Aug-22	29-Jul-22	31-Dec-21	+/-
2Y	4.47	4.63	2.59	(0.16)
3Y	4.47	4.63	2.59	(0.16)
4Y	5.09	5.34	3.82	(0.25)
5Y	5.94	6.30	4.71	(0.37)
7Y	5.97	6.13	4.49	(0.16)
10Y	6.06	6.25	4.69	(0.19)
11Y	5.94	6.30	4.71	(0.37)
20Y	6.54	6.84	5.07	(0.31)
20Y*	6.54	6.84	5.07	(0.31)
USD/PHP	55.200	55.130	52.580	0.07

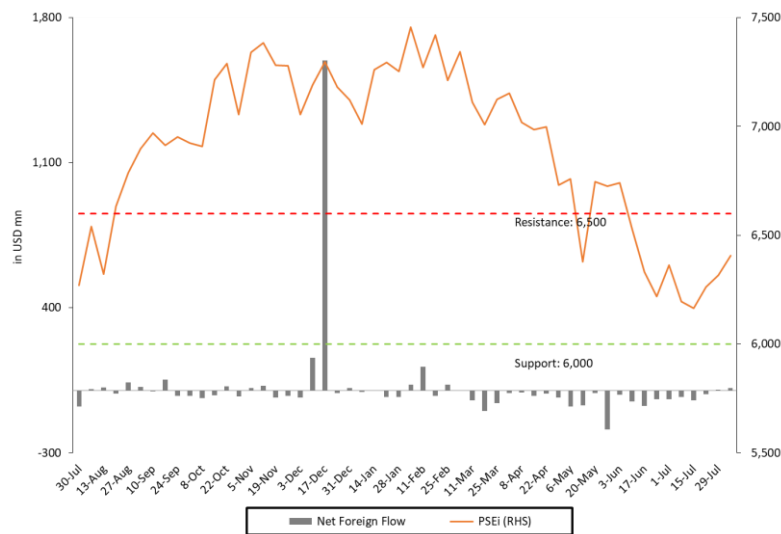
Source: Bloomberg

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Philippine Equities

- The PSEi was up 1.42% week-over-week to 6,405.50 last week driven by a good set of earnings releases that showed better performance vs 1Q22. Of index names that have reported, more than 80% have met or beat expectations for the period. The index's rise was pared however on Friday as July inflation was reported to be higher than expectations and was not helped by index rebalancing outflows.
- A little more than half of all index names have disclosed 2Q22/1H22 results over the last few weeks, and with 12 names expected to report this week. Of note among those this week would have to be AC and JGS which have heavyweight market capitalizations. Earnings growth for 2Q22 is looking to have exceeded ~18% y-y thus far, much stronger than the ~14% registered in 1Q22.
- On the macro front, inflation for July was reported at 6.4% - higher than the 6.1% consensus expectation and faster than the rate registered in June. Most of the uptick in inflation was driven by food and beverages, followed by transport costs. The government is also set to disclose 2Q22 GDP growth this week, with economist estimates looking towards an 8.2% print.

Chart 2 - Philippine Stock Exchange Index



Source: Sun Life Financial Philippines

Sectors: Industrial +3.58%, Holding Firms +2.32%, Property +0.91%, Services -0.03%, Mining & Oil -0.03%, Financials -0.77%

Leaders: AC +12.42%, MONDE +10.96%, URC +10.45%, JFC +6.76%, ACEN +5.85%

Laggards: SECB -9.44%, MER -7.06%, AGI -5.86%, AP -5.05%, ICT -4.94%

Source: Bloomberg, The Philippine Stock Exchange

USD fixed income

- US Treasury curve bear flattened after a series of hawkish Fed speak and a very strong jobs report pushed market players to recalibrate their rate hike expectations. Market is now pricing in a 75 bp rate hike in September, and one 25 bp rate hike each in November and December.

PHP fixed income

- Local bond yields rallied at the start of the week, with momentum supported by a strong 3.5Y auction. However, correction was seen during the latter part of the week as market players took profit and lightened positions amid the sell-off in US Treasuries, rumors of RTB issuance, and higher than expected July CPI print. Overall, GS yields ended the week 10 to 30 bps higher from their lows.

Outlook for the week

Stock market

- The PSEi breached its 50-day moving average for the first time, setting up the index for a sideways pattern that could hopefully create an uptrend channel. So far, earnings are looking better compared to 1Q22 which could protect prices near-term. Support for the index is currently at the 6,300 level with immediate resistance around 6,600.

USD fixed income

- US Treasuries will continue to see heightened volatility as Fed turned data-dependent. Key data for the week will be the July CPI print to be released on Wednesday. Consensus expectation is at 8.7%, lower than the 9.1% print for June.

PHP fixed income

- Correction in local yields will likely continue this week as market's appetite for duration has been tempered by recent developments.