

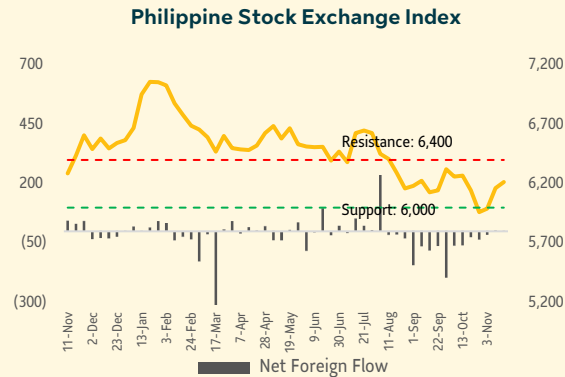
DB: Fed Cuts Could Top 175bps in 2024

Previous Week Summary

Local Equities

PSEI up for a fourth straight week on international and local optimism

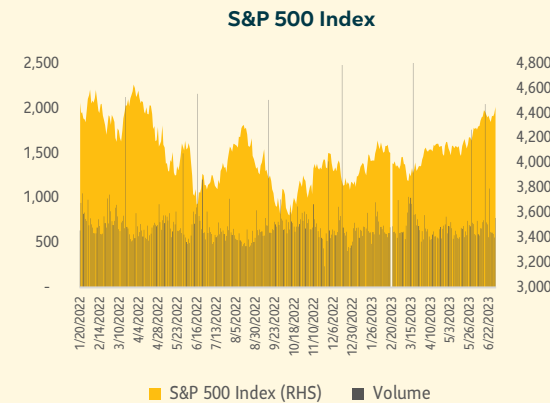
The PSEI was up +0.93% WoW, outperforming regional comps and closing the week at 6,269.5; this marks the 4th straight week of advance for the index. Market optimism was spurred by positive sentiment from international markets despite low trading volumes. Moreover, positive macro news including a BoP surplus in October (after 6 straight contracting months) and the continued advance in domestic auto sales (+18.6% YoY) boosted sentiment. Industrials (+2.78%), Services (+2.29%), Mining & Oil (+1.56%), and Property (+1.23%) all outperformed for the week while Holding Firms (-0.58%), and Financials (-0.28%) underperformed. Consumer stocks in particular outperformed amid anticipation of strong holiday spend and easing inflation; previous outperformers like banks, on the other hand, underperformed as the market took some profit. Foreigners were net buyers for the week at PHP 998 Mn, while average daily value traded was P3.3 Bn.



Global Equities

Global equities rise for the fourth consecutive week

Stocks gained for a fourth consecutive week as investors have grown more optimistic given the increasing probability that the U.S. Federal Reserve is done with its hiking cycle and reduced likelihood of a U.S. recession. The MSCI All Country World Index gained by +0.97% last week while the S&P500 and the NASDAQ rose by +1.02% and +0.92%, respectively. Europe was the outperformer last week as the Euro STOXX 600 increased by +1.46% (USD terms) while Japan's TOPIX (+0.11%) and the MSCI Asia ex-Japan (+0.45%) lagged. Expectations that the Fed is to turn dovish has also led to weakening of the U.S. Dollar from its highs in early October.



Fixed Income

US Treasury yield curve bear steepened, while local bonds rallied on lower inflation print

US Treasuries reversed some gains after a weak 30Y auction and hawkish comments from Chair Powell. At current levels, market participants are pricing in 3 rate cuts through 2024. In the Philippines, both headline and core inflation for the month of October surprised to the downside, primarily due to lower food prices. Headline CPI decelerated to 4.9% YoY, after accelerating by 6.1% in September. Local government bond yields rallied as much as 20 bps over the week as appetite for duration improved following the data release.

Economic News

The Federal Reserve will cut rates more aggressively than markets are currently pricing in as a mild U.S. recession arrives in the first half of next year, economists at Deutsche Bank projected on Monday.

In an outlook report, the Deutsche Bank economists projected 175 basis points in rate cuts in 2024. With the Fed rate currently at 5.25%-5.5%, that would reduce the rate to 3.5%-3.75% by the end of the year. Traders are currently pricing in a rate of 4.48% by December 2024, according to LSEG data.

In an interview, Williams explained that, assuming inflation comes down, if the Fed doesn't cut interest rates at some point, then real — or adjusted-for-inflation — interest rates will go up and up and up. Other Fed officials have chimed in with similar views. Minneapolis Fed

<https://www.reuters.com/markets/rates-bonds/us-recession-will-prompt-175-basis-points-fed-cuts-next-year-db-economists-say-2023->

Sun Life Investment Management and Trust Corporation

www.slimtc.ph

11/F Sun Life Centre,
5th Avenue corner Rizal Drive
Bonifacio Global City
Taguig City 1634

Contact no.
(632) 8555 8888

Email
SLIMTC.Communications.Notice@sunlife.com

Sun Life Investment Management and Trust Corporation (SLIMTC) is regulated by the Bangko Sentral ng Pilipinas.

Sun Life Investment Management and Trust Corporation (SLIMTC) makes no representation as to the accuracy or completeness of the information contained herein. The information contained in this presentation is for information purposes only.

It is not intended to provide professional, investment or any other type of advice or recommendation in relation to purchases or sales of securities whether or not they are related to SLIMTC; it does not constitute any guarantee of performance; and neither does it take into account the particular investment objectives, financial situation or needs of individual recipients.

Any opinions or estimates herein reflect our judgment as at the date of this presentation and are subject to change at any time without notice.

This material is a copyrighted work. You may not share, distribute, revise, transform, or build upon this material without prior written consent of, and proper attribution to SLIMTC. All trademarks are the properties of their respective owners.

Our House View

Economic Forecast (as of 10 November 2023)

Local Forecasts for Year End				US Forecasts for Year End			
Metric	Midpoint	Low	High	Metric	Midpoint	Low	High
CPI Inflation	6.20%	6.00%	6.70%	Brent Spot Price	USD 82/bbl	USD 70/bbl	USD 93/bbl
PH GDP	5.60%	6.00%	7.00%	Fed Policy Moves	0-1	0	1
USDPHP	54	53	55	Fed Policy Rate	0-25bps	0 bps	25 bps
BSP Policy Moves	Possible hike	0	1	US 10Y	4.44%	4.03%	4.75%
BSP Policy Rate	25 bps	0	25 bps	US Recession Probability 2023	High	-	-
Budget Deficit	-6.19%	-	-				

Sun Life Investment Management and Trust Corporation

11/F Sun Life Centre,
5th Avenue corner Rizal Drive
Bonifacio Global City
Taguig City 1634

Contact no.
(632) 8555 8888

Email
SLIMTC.Communications.Notice@sunlife.com

Economic Calendar

Date	Metric	Previous	Consensus Estimate
29-Nov-23	PH Fiscal Budget (Oct)	-P250.9 bn	
30-Nov-23	PH Bank Lending Growth (Oct)	6.5% YoY	
29-Nov-23	US GDP (3Q0)	4.9% YoY	5.0% YoY
1-Dec-23	US ISM Manufacturing (Nov)	46.7	47.8

Bright Ideas

Fixed Income

USD Fixed Income

SLIMTC maintains its range for the 10Y US Treasury yield at 4.30% to 4.50%. With no firm catalysts, bonds will simply react to data releases over the week.

PHP Fixed Income

This week's auctions will provide further color on market appetite at current yield levels. SLIMTC expects bond yields to consolidate at current levels while US Treasuries trade sideways and market participants await release of December auction schedule.

Local Equities

Market sentiment is slowly picking up amidst lower crude oil and stronger peso. However, turnover remains muted given continued hawkish stance by BSP. MSCI rebalancing which will take effect by end-Nov will influence upcoming week's trading activity. PSEi is still expected to stay within 6000 - 6400 range.

Global Funds

SLIMTC is shifting its equity exposure to overweight as global investors continue to position for sustained global growth in 2024. Investments have been calibrated to outlets that are positioned to benefit the most from the resilient U.S. economy, aided by lower expectations of a hard-landing. This includes companies with exposure to emerging structural themes (Tech/AI) and resilient earnings. The team remains constructive on Japanese equities too as the macroeconomic and exit from deflation story remains intact. Meanwhile, exposure to Emerging Markets remains at neutral, with a preference towards Korea, Taiwan, and India as these countries are positioned to benefit from the emerging Tech/AI story.

Sun Life Investment Management and Trust Corporation (SLIMTC) is regulated by the Bangko Sentral ng Pilipinas.

Sun Life Investment Management and Trust Corporation (SLIMTC) makes no representation as to the accuracy or completeness of the information contained herein. The information contained in this presentation is for information purposes only.

It is not intended to provide professional, investment or any other type of advice or recommendation in relation to purchases or sales of securities whether or not they are related to SLIMTC; it does not constitute any guarantee of performance; and neither does it take into account the particular investment objectives, financial situation or needs of individual recipients.

Any opinions or estimates herein reflect our judgment as at the date of this presentation and are subject to change at any time without notice.

This material is a copyrighted work. You may not share, distribute, revise, transform, or build upon this material without prior written consent of, and proper attribution to SLIMTC. All trademarks are the properties of their respective owners.