

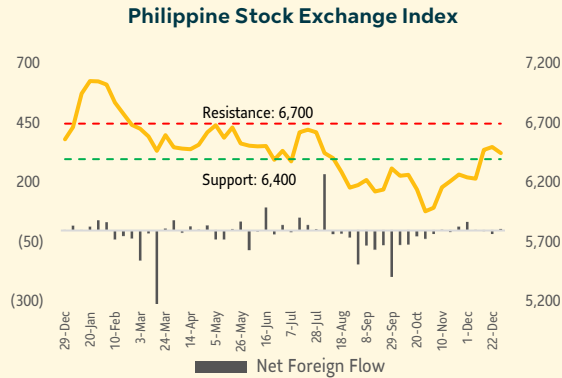
China Factory Activity Contracts Yet Again

Previous Week Summary

Local Equities

PSEi ends the year in the red amid muted trading activity

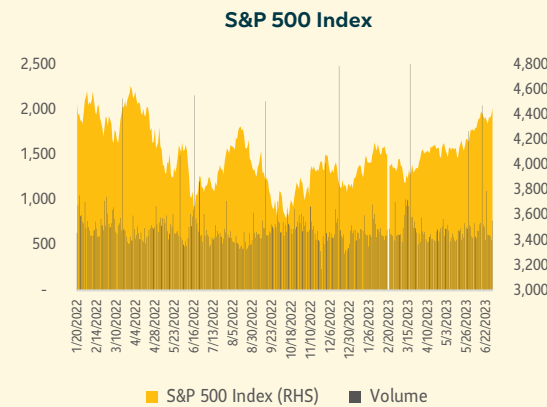
The PSEi ended 2023 down 1.77% for the year at the culmination of a shortened 3-day trading week. The main equity bourse lost 50.96pts, down 0.78% w-w, to end at 6,450.04. Average daily traded value for the last week of the year was below PHP4bn and was down 31% w-w as fresh catalysts were lacking amid the holidays. Most sectoral indices were up for the week though, with Mining & Oil leading gainers at +4.80% w-w while Holding Firms was the sole sectoral loser at -4.11% w-w. Foreigners were net buyers for the week at USD6.04mn, vs USD15.64mn net outflow the week prior.



Global Equities

Asian markets outperform in a thinly traded holiday week

Equities final week saw stocks pulling back near all time highs. In a thinly traded week, we saw signs of exhaustion emerging after a US\$ 8 Tn gain for the S&P 500. Nonetheless, we saw global equities trade sideways managing to give out -0.02% return for the week. Major indices were flat to negative led by NASDAQ -0.57%, Euro STOXX 600 -0.28% and S&P 500 -0.23%. Asian markets were more upbeat with the TOPIX outperforming (+1.07%) for the week as BOJ clarified their stance to keep policy easy until sufficient evidence that sustainable inflation is met. China also enjoyed healthy gains +3.42% despite concerns on the nation's weak economy.



Fixed Income

Bonds consolidate on absence of fresh catalysts

US Treasuries and RPGBs traded within a 10 to 20 bps range throughout the last trading week of 2023 as market participants chose to stay on the sidelines given the absence of fresh catalysts.

Economic News

A survey of factory managers in China shows manufacturing contracted in December in the latest sign the world's second-largest economy remains sluggish. The official purchasing managers index, or PMI, fell to 49 last month in what officials said was evidence of weak demand, the National Bureau of Statistics reported on Sunday. It was the third straight month of contraction. The PMI is on a scale up to 100 where 50 marks the cutoff between expansion and contraction.

The index has fallen in eight of the past nine months, with an increase only in September. In November, the index was at 49.4, down from 49.5 the month before.

<https://www.marketwatch.com/amp/story/china-factory-activity-sees-third-straight-month-of-contraction-600ef48b>

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Our House View

Economic Forecast (as of 12 December 2023)

Local Forecasts for 2024				US Forecasts for 2024			
Metric	Midpoint	Low	High	Metric	Midpoint	Low	High
CPI Inflation	3.80%			Brent Spot Price	USD 83/bbl		
PH GDP	6.00%			Fed Policy Cuts	3-4	3	4
USDPHP	53.5	53	55	Fed Policy Change	-75 to -100bps	-75bps	-100bps
BSP Policy Moves	Rate cut	0	4	US 10Y	4.44%	4.03%	4.75%
BSP Policy Rate	-100bps	-100	0	US Recession Probability 2024	High	-	-
Budget Deficit	-6.19%	-	-				

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Economic Calendar

Date	Metric	Previous	Consensus Estimate
3-Jan-24	US ISM Manufacturing (Dec)	47.30%	46.70%
4-Jan-24	US ADP Employment (Dec)	170k	199k
5-Jan-24	PH CPI Inflation (Dec)	4.10%	4.00%
5-Jan-24	PH Gross Reserves (Dec)	\$102.7bn	

Bright Ideas

Fixed Income

USD Fixed Income

Key data for the week will be the December payrolls data. A weaker than expected print could lead US Treasury yields lower after a week of consolidation. For 2024, SLIMTC maintains overweight duration stance given the outlook that Central Banks will transition to policy easing within the year.

PHP Fixed Income

December inflation data is due to be released on Friday (Jan. 5). The BTr will also issue a new 3Y bond for this week's auction. For 2024, SLIMTC maintains overweight duration stance given the outlook that Central Banks will transition to policy easing within the year.

Local Equities

Market holding building a base at 6,400 levels and may rally to the next resistance level of 6,700 in the following month should foreign inflows continue. We will likely see some normalization of prices from large cap names that have been sold down this week (i.e. AC, SM, AEV, SMC).

Global Funds

SLIMTC maintains its overweight in global equities as investors position for a reacceleration of global growth in 2024. Investments have been selected to position towards those that benefit the most from the resilient U.S. economy and earnings expansion. This includes companies with exposure to secular tailwinds (AI/Tech), strong margins and balance sheets. The team also favors Japanese equities 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.

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