

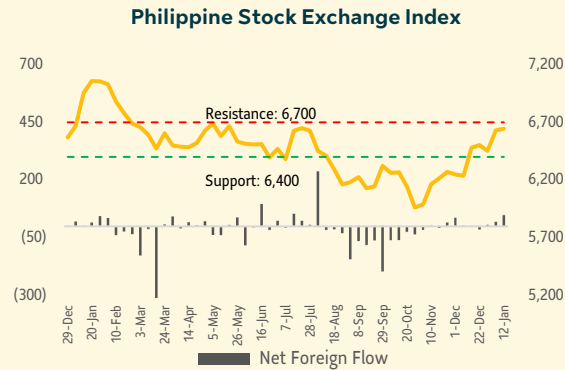
## US Congress Reaches Deal To Extend Budget For 1Q

### Previous Week Summary

#### Local Equities

##### PSEi extends early-year rally to two weeks on the back of positive macro developments

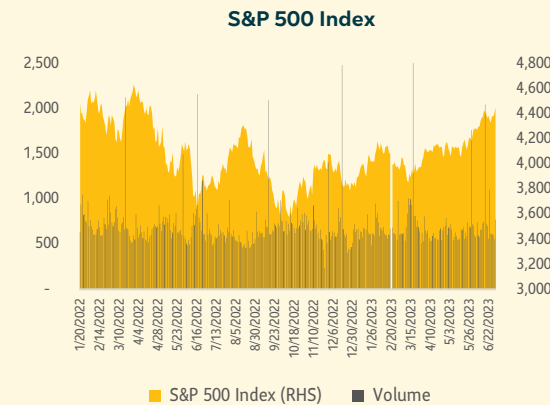
The PSEi closed last week higher by 13.54 points (0.20%), week-on-week, ending at the 6,643 level. Positive macro news flow by way of lower-than-expected December domestic inflation, lower unemployment and the recent appointment of Mr. Recto as the DoF Chair, drove market performance.



#### Global Equities

##### Global Equities saw mixed results for the week. Investors stay positive on the start of the Fed's easing cycle

Global equities saw mixed moves for the week with investors reinforcing bets that the Federal Reserve will cut rates in its March meeting. Markets reacted to a surprise decline in PPIs (Producer Price Index) neutralizing the hotter-than-expected reading in consumer prices. The MSCI ACWI rose 0.65% for the week driven by gains in the TOPIX +2.97%, S&P 500 +0.59% and the NASDAQ +0.92%. European markets was flat despite hawkish statements from the ECB and a spike in oil prices. Euro STOXX 600 stayed put at +0.05%. Risk appetite remained buoyant as 4Q earnings season from US and European firms continues to come in within expectations. China still lagged as deflationary forces and threatened market sentiment. CSI 300 ended the week -0.25% while SHCOMP lost -0.38%. For this week, we continue to monitor US data releases on housing and sentiment as clues on market direction. After nine weeks of gains, we see technical indicators are looking to take a breather before a possible resumption of the current uptrend.



#### Fixed Income

##### US Treasury curve shifted lower, while local bonds faced some selling pressure on supply concerns

US Treasury yields moved lower after release of better than expected PPI data. The curve bull steepened as market participants revert to pricing in 6 rate cuts for the year. In the Philippines, the announcement that the 7Y auction this week will be another Dutch auction led to some de-risking in the 7Y and 10Y tenors. Local government bond yields rose 3 to 7 bps across the curve over the week.

#### Economic News

Congressional leaders have reached an agreement on a new stopgap spending bill that would extend government funding into March, as House Speaker Mike Johnson (R., La.) sticks to his plan to defy the most brass-knuckled budget hawks in his party in a bid to avoid a government shutdown. The government has been running on short-term spending laws, known as continuing resolutions, or CRs, since the start of the fiscal year on Oct. 1, as lawmakers continued to negotiate full-year funding. Under the new agreement, parts of the government including the Transportation Department, the Agriculture Department and the Food and Drug Administration would be funded through March 1, while the rest of the government would be funded through March 8. Currently, those two sets of funds are due to expire on Jan. 19 and Feb. 2, respectively. Congressional leaders want to extend the deadline for hammering out full-year fiscal 2024 spending bills, at the previously agreed-to levels of \$1.66 trillion. Senate Majority Leader Chuck Schumer (D., N.Y.) said Sunday that he has scheduled a procedural vote for Tuesday.

<https://www.wsj.com/politics/congressional-leaders-strike-deal-to-fund-government-into-early-march-cl1ee893d>

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## Our House View

### Economic Forecast (as of 16 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	3	4	US 10Y	3.19%	2.88%	4.50%
BSP Policy Rate	-100bps	-100	-75	US Recession Probability 2024	High	-	-
Budget Deficit	-6.19%	-	-				

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## Economic Calendar

Date	Metric	Previous	Consensus Estimate
15-Jan-24	PH Remittances (Nov)	\$3.0 bn	\$2.7 bn
17-Jan-24	US Industrial Production (Dec)	0.2% m/m	0.0% m/m
18-Jan-24	US Housing Starts (Dec)	1560 k	1425 k

## Bright Ideas

### Fixed Income

#### USD Fixed Income

Various economic activity data are due for release this week. As such, US Treasury yields are expected to be headline-driven and see ranging action. SLIMTC's range for the 10Y US Treasury yield is 3.80% to 4.10%.

#### PHP Fixed Income

The BTr will issue a new 7Y bond this week. SLIMTC expects the issuance to receive healthy interest. We think auctions provide good opportunity to increase duration incrementally during this correction given wide bid-offer spreads in the secondary market.

### Local Equities

January effect in place as the market rally pushes towards the 6,700 resistance level. Market likely to retest this but may be met with some push back as investors take profit following the strong rally over the past few weeks.

### 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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