

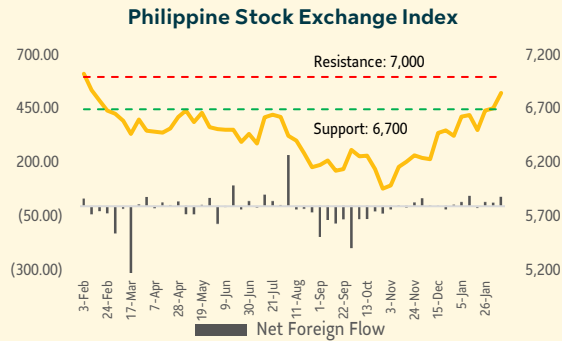
BSP Survey: Rates Are Seen To Remain Stable Until 2026

Previous Week Summary

Local Equities

PSEi up for the fourth week in a row

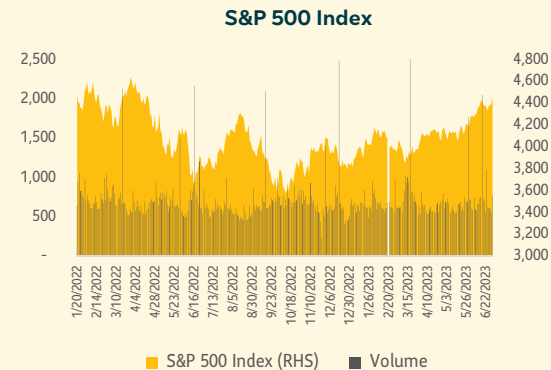
Despite a slight decline on Friday, the PSEi ended the week higher than last week, extending its weekly win streak to four as the market remained optimistic on the trajectory of future interest rates and brushed off weaker 2023 OFW remittance data (2.9% growth vs 3% in 2022). The PSEi was up +0.34% WoW to 6,873.23, bringing to +6.56% YTD. Services (+1.97%), Industrials (+1.64%), and Financials (0.95%) were the outperformers for the week while Holding Firms (-0.20%), Property (-1.43%), and Mining & Oil (-1.67%) underperformed. Foreigners worth net buyers worth P2.1 Bn on P4.75 Bn ADVT.



Global Equities

Global equities mixed after higher CPI and PPI print

Global equities ended a volatile week after higher than expected US PPI and CPI dashed hopes of earlier Fed easing. The S&P 500 (-0.26%) and NASDAQ 100 (-1.07%) ended both in the red. European markets drifted higher with the STOXX 600 up (+0.81%) for the week. The European benchmark ended 1% short of its all time high led by the FTSE 100. Asian markets led the way this week as Japan closed 1% higher despite a weak 4Q GDP print. This week, all eyes will focus on NVIDIA earnings as a strong report may provide a boost to sentiment and fuel a continuation of the market rally.



Fixed Income

Hot US inflation data pushed back rate cut bets, bonds sold off

Hotter than expected inflation data in the US led market participants to reduce rate cut bets. By the end of the week, the first rate cut has been pushed back to June and less than four rate cuts for the year are being priced in. In addition, hawkish comments from Fed officials also supported the move. The 10Y yield jumped 11 bps over the week to 4.28%. In the Philippines, the RTB coupon was set at 6.25%. Post-auction, the yield curve steepened as bond yields in the long-end rose 10 to 15 bps over the week.

Economic News

Economists expect inflation to stay within the Philippine central bank's 2-4% target until 2026, but supply shocks and second-round effects continue to pose risks to the outlook, the Bangko Sentral ng Pilipinas (BSP) said last week. Analysts' average inflation estimates this month for 2024 and 2026 were 3.9% and 3.4%, unchanged from BSP's January survey, it said. Their mean inflation estimate for next year rose to 3.5% from 3.4%. "Analysts expect inflation to remain manageable this year and settle within the target range," the central bank said in its latest monetary policy report. "However, risks to the inflation outlook continue to be dominated by upside pressures owing to supply-side shocks and second-round effects." Inflation slowed to a three-year low of 2.8% in January from 3.9% in December and 8.7% a year ago, the second straight month it fell within the BSP's target.

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 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%	-	-				

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
19-Feb-24	PH Balance of Payments (Jan)	-\$642m	
22-Feb-24	US Manufacturing PMI (Feb)	50.7	50.5
22-Feb-24	US Existing Home Sales (Jan)	3.78m	3.97m

Bright Ideas

Fixed Income

USD Fixed Income

FOMC minutes and PMI data are due for release this week. We see further upside risk to US Treasury yields as inflation shows stickiness. SLIMTC's updated range for the 10Y yield is 4.20% to 4.40%.

PHP Fixed Income

The offer period for the RTB ends on Friday (Feb 23). Local government bond yields will likely track movements in US Treasuries given the absence of fresh local catalysts.

Local Equities

PCOMP likely to range-trade within as it takes a breather from recent run up. Next key resistance at 7000-7100 level with earnings and macro environment improvement as key catalysts to sustain momentum. Range remains at 6,700-7,100

Global Funds

SLIMTC maintains its slight 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 selective, with a preference towards 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.