

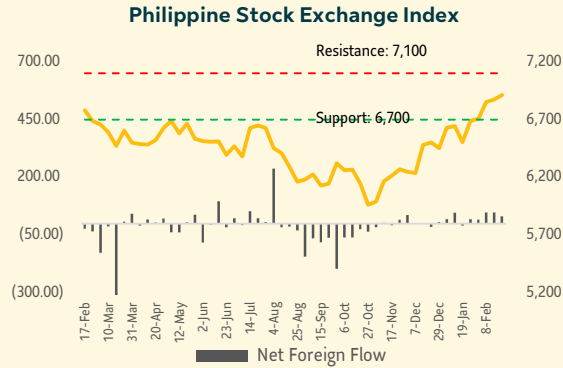
## ADB: China De-linking Talk is Overdone

### Previous Week Summary

#### Local Equities

##### PSEi rally continues as earnings season validates growth outlook so far

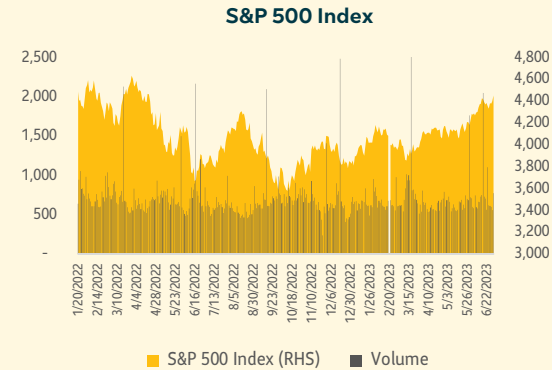
The PSEi continued to gain for the fifth straight week, though stopping short of the 7,000 resistance level. The main equity bourse gained 39.98pts, up 0.58% w-w, to end at 6,913.21. Some of the best gains for the week were led by ALI and MBT who both reported earnings growth past 25% for 2023, and with MBT declaring higher-than-expected dividends. Sectoral indices were split down the middle, with Financials leading gainers at +1.72% w-w while Mining & Oil was at the other end at -1.88% w-w. Foreigners were net buyers for the week at USD30.4mn, clinching five straight weeks of net inflow.



#### Global Equities

##### Stocks reached fresh highs as NVIDIA earnings sizzle

Stocks reached fresh highs led by the S&P 500 (+2.25%) and Nasdaq 100 (+2.63%) as NVIDIA came out with blowout earnings report putting more fuel in the already powerful AI rally. Other tech names, most notably the magnificent seven, led the charge rising by another +4.57%. This is happening despite inflation somewhat stalling and the slightly more hawkish tilt from the Federal Reserve. Other markets enjoyed gains as well with the TOPIX and MSCI Asia ex Japan drifting higher by 1.08% and 1.37% respectively. The Nikkei 225 reached a new high after 34 years as monetary policy is seen to continue to be easy as GDP data came in below consensus.



#### Fixed Income

##### Bonds consolidate on absence of fresh catalysts

US Treasuries consolidated throughout the week as market participants digest risks of higher inflation and likely economic slowdown in China. In the Philippines, local government bonds also saw sideways action, largely tracking the move in US Treasuries. The offer period for the Retail Treasury Bond (RTB) closed on February 23. The Bureau of the Treasury (BTr) raised a total of PHP 585 billion (PHP 341.5 billion from new money and PHP 243.5 billion from bond exchange).

#### Economic News

China is still a critical trading partner for many countries across the world, and the often-used narrative of the superpower being delinked from the global economy is overdone, says the Manila-headquartered Asian Development Bank. "China's still probably the number one trading partner for the majority of countries in the world," ADB's Chief Economist Albert Park told CNBC. Although there have been parts of overall trade with China that have declined, the country's engagement and importance in the global value chain has not diminished, said Park. China's trade with its major partners fell in 2023 — its annual exports dipped for the first time in seven years as demand for Chinese goods fell amid slower global growth. However, the economic powerhouse remains a top trading partner to over 120 countries, and is still the largest trading partner to Japan, South Korea, Taiwan and Vietnam, according to U.S. think tank Wilson Center. While it may ring true for certain goods or specific countries that are "very aggressively trying to restrict Chinese trade," on a more global scale the delinking is much less evident, said the economist. He added that even following the trade conflict started by former U.S. President Donald Trump in 2018, China's importance in the global value chain has not slumped.

<https://www.cnbc.com/2024/02/26/china-still-top-trading-partner-for-many-countries-says-adb.html>

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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
26-Feb-24	US New Home Sales (Jan)	664k	684k
28-Feb-24	US GDP (4Q)	3.30%	3.30%
29-Feb-24	PH Fiscal Budget (Dec)	-P93.3 bn	
1-Mar-24	PH PMI (Feb)	50.9	

## Bright Ideas

### Fixed Income

#### USD Fixed Income

Our range for the US Treasury 10Y yield remains at 4.20% to 4.40%. Yields will likely remain in consolidation as market participants await further data to ascertain timeline of Fed cuts.

#### PHP Fixed Income

The BTr will hold auction for the new 20Y bond (FXTN 20-26) this week. This issuance offers good opportunity to assess market appetite for duration.

### 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.

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