

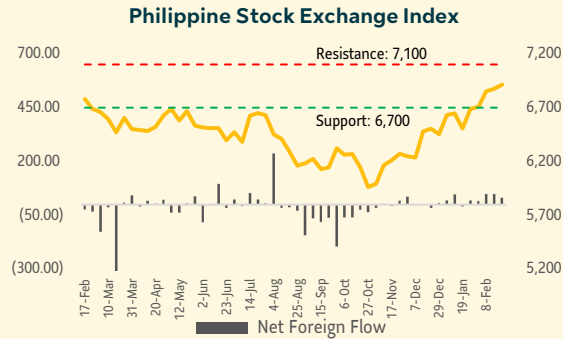
## OPEC+ Continues Production Cuts Anew

### Previous Week Summary

#### Local Equities

##### PSEi up but relatively flat to end the week

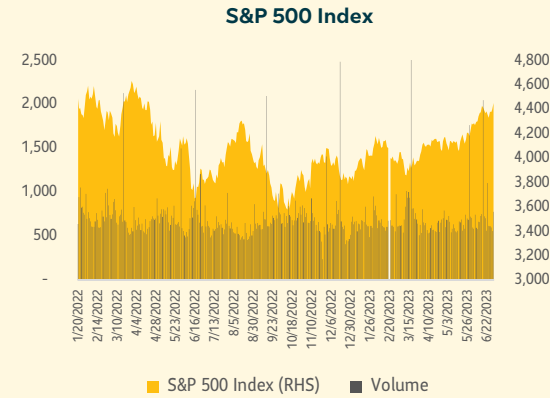
The index ended the week relatively flat (+0.09%), closing at 6,919.59, up for its sixth consecutive week amid positive economic data globally and locally and a so-far decent earnings season. Average daily value traded for the week was P6.4 billion with net foreign buying of P1.3 bn. Industrials (+1.53%), Holding Firms (+1.05%), Financials (+0.70%), and Services (+0.42%) outperformed while Property (-3.24%) and Mining & Oil (-2.36%) severely underperformed.



#### Global Equities

##### Equities reach fresh highs as momentum and sentiment is sustained

Global equities (+1.08%) posted another strong week as upbeat sentiment was sustained on positive earnings results, strong macro data releases and AI tailwinds. Returns for the week were supported by the US, with the S&P 500 up +1.37% and the Nasdaq 100 rising +2.10%. Investors looked past the recent hawkish Fed rhetoric while PCE numbers came in within expectations. Asian markets fed off this energy with the TOPIX gaining +1.78% and CSI 300 adding +2.45%. Investors are speculating that Chinese fiscal measures could be announced in the "two sessions" meeting to be held this week. Additional catalysts to watch out for would be PMIs and labor market data. This may drive pricing of interest rate cuts and provide further impetus to help sustain the rally.



#### Fixed Income

##### US Treasuries rally on weak ISM data, while local government bonds continue to consolidate

US Treasuries closed the week on a strong note after the release of weaker than expected ISM manufacturing data increased bets for a June rate cut. Overall, the yield curve shifted lower and the 10Y yield fell 7 bps over the week to 4.18%. In the Philippines, local government bonds continue to search for direction. Sideways action persisted as market participants chose to stay on the sidelines given the absence of fresh catalysts.

#### Economic News

OPEC+, made up of the Organization of the Petroleum Exporting Countries and its allies, including Russia, will extend voluntary production cuts into the second quarter, Saudi Arabia's official press agency said Sunday. The move was widely anticipated and signals that the producers are in no rush to restore lost volume to the market amid uncertainty over the outlook for demand, analysts said. Citing an Energy Ministry source, the Saudi press agency said Saudi Arabia would extend its voluntary production cut of 1 million barrels a day, which was implemented in July 2023, until the end of the second quarter in coordination with some OPEC+ participating countries. That 1 million-barrels-a-day cut is in addition to a cut of 500,000 barrels a day previously announced by Saudi Arabia that runs until the end of this year. The announcement "does not come as a surprise. However, the decision sends a message of cohesion and confirms that the group is not in a hurry to return supply volumes, supporting the view that when this finally happens, it will be gradual (we expect in 3Q, as demand gets seasonally stronger)," said Giacomo Romeo, an analyst at Jefferies, in a note. An extension beyond the second quarter, however, remains much more uncertain, Romeo said, and will put the focus on the next meeting of OPEC+ officials in early June.

<https://www.marketwatch.com/story/opec-extends-oil-production-cuts-signaling-no-rush-to-restore-lost-volume-09bcfa2f>

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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
5-Mar-24	PH CPI Inflation (Feb)	2.80%	3.00%
6-Mar-24	US ADP Employment (Feb)	107k	150k
8-Mar-24	PH Unemployment Rate (Jan)	3.10%	
8-Mar-24	US Nonfarm Payrolls (Feb)	353k	200k

## Bright Ideas

### Fixed Income

#### USD Fixed Income

Key data due for the week is the February payrolls data. The 10Y yield seems to have found support in the 4.30% to 4.35% area. With consensus aligning with the Fed's base case of 3 rate cuts for the year, we remain buyers duration on correction.

#### PHP Fixed Income

February inflation data is due on March 5. Consensus expectation is a headline print of 3%, which is slightly above last month's 2.8%. With the Bureau of the Treasury (BTr) shifting this month's issuances to longer tenors, we expect to see further steepening of the curve and prefer to position in the front-end to belly.

### Local Equities

Sentiment on PCOMP remains positive as seen in foreign inflows the past six weeks. Continuous foreign buying and lower inflation print may allow the local bourse to retest 7k psychological resistance level. Trading range remains at 6,700-7,100.

### Global Funds

Active mandates locked in gains from overweight asset allocation call. Investments are positioned towards outlets that look to benefit the most from the resilient U.S. economy and corporate earnings. 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 a structural Tech/AI story.

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