

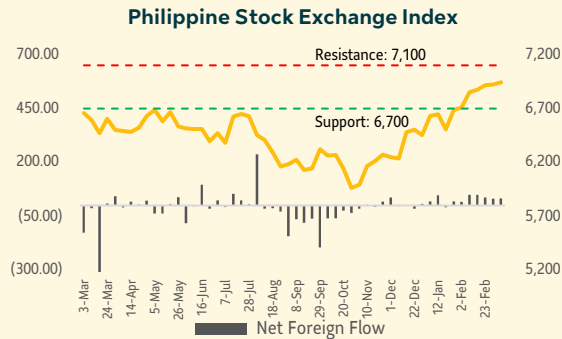
US Equity Investors Await Fed Rate Decision This Week

Previous Week Summary

Local Equities

PSEi snaps the seven week streak, dragged by outflows

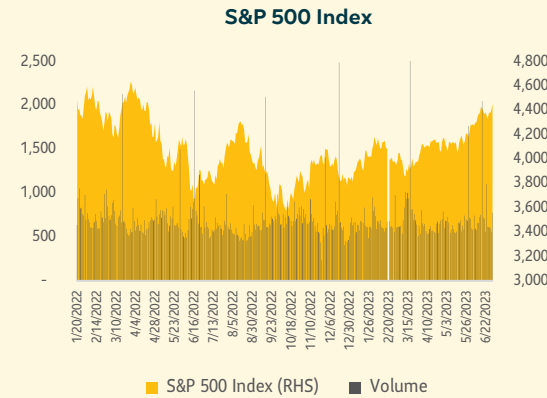
The PSEi was down -1.73% WoW to 6,822.32 due to a -2.09% drop on Friday amid an outflow from the FTSE March Rebalancing. In other news, the market was less positive on rate cut expectations following the reacceleration of inflation in the West and weak data. Property (-3.17%), Industrials (-3.22%), and Mining & Oil (-2.54%) were the worst performers of the week while Services (+1.27%) was the only sectoral gainer. Net foreign selling amounted to P3.1 billion.



Global Equities

Global stocks remain jittery as macro and policy data rattled the markets

Global markets were jittery the past week as a combination of persistent inflation, weaker growth and potentially tighter monetary policy rattled the markets. US markets ended slightly lower. The S&P 500 and NASDAQ 100 lost -.09% and -.79% respectively. Tech was primarily hurt by profit taking and the threat of higher rates weighing in on multiples. European markets were slightly more resilient as the Euro STOXX 600 topped other DMs, returning +.76%. The TOPIX, +0.15% was under pressure as higher wages increased the likelihood of a rate hike in the next BOJ meeting. This week looks to be a pivotal week for the markets with CPI and rate decisions from the US, Eurozone and, Japan. Other EM central banks such as Indonesia, Mexico would also have CB meetings. These events should drive market sentiment for the week.



Fixed Income

US Treasuries bounced on hot inflation, while RPOBs benefit from redeployment of maturities

US Treasury curve shifted higher after release of hotter than expected CPI and PPI data. Recent data prompted market participants to reduce expected rate cuts to 50 to 75 bps for 2024. The 10Y yield jumped 21 bps to 4.30% over the week. In the Philippines, a strong 10Y auction and deployment of bond maturities pushed bond yields lower by as much as 10 bps across the curve.

Economic News

U.S. investors may face a reality check this week when Federal Reserve officials release their updated projections for interest rates. Investors want to know if policy makers still expect to cut rates three times in 2024 as inflation still remains well above their 2% target. Wall Street wrapped up a volatile week that brought new data showing that inflation remained elevated in February. Investors pricing in the first interest-rate cut by June now worry that policy makers have more reasons to hold off on cutting rates. The central bank is expected to keep its policy rate unchanged at a range of 5.25% and 5.5% when it completes a two-day meeting on Wednesday. That will put the spotlight on the release of the Fed's latest Summary of Economic Projections on Wednesday, with market watchers focusing obsessively on one part in particular: the new "dot-plot." The closely watched chart maps out where individual policy makers see the fed-funds rate in the future. "The Fed is still likely to ease at midyear, June or July, but the FOMC [Federal Open Market Committee] meeting next week may formally extend the wait-and-see period by another one or two meeting cycles," said Thierry Wizman, global FX and rates strategist at Macquarie. Wizman added that Fed Chair Jerome Powell could repeat that he needs a "little bit more" evidence that disinflation is sustainable before trimming rates.

<https://www.marketwatch.com/story/stock-market-to-face-reality-check-when-fed-updates-its-interest-rate-forecasts-6ceed216>

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-Mar-24	PH Balance of Payment (Feb)	-\$740m	
19-Mar-24	US Housing Starts (Feb)	1,331k	1,430k
21-Mar-24	US FOMC meeting	unchanged	unchanged

Bright Ideas

Fixed Income

USD Fixed Income

Key event for the week is the FOMC meeting where the Fed will release its updated dot plot. US Treasuries are currently trading around their support areas ahead of the meeting. We remain buyers of US Treasuries on dips until a material change in policy and inflation outlook emerges.

PHP Fixed Income

The BTr will re-issue FXTN 20-26 (20Y) this week. Market sentiment has turned cautious following the sell-off in US Treasuries. We continue to prefer adding duration via auctions instead of chasing yields in the secondary market.

Local Equities

Sentiment on PCOMP remains positive but may see some sideways movement after strong run up. 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.

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.