

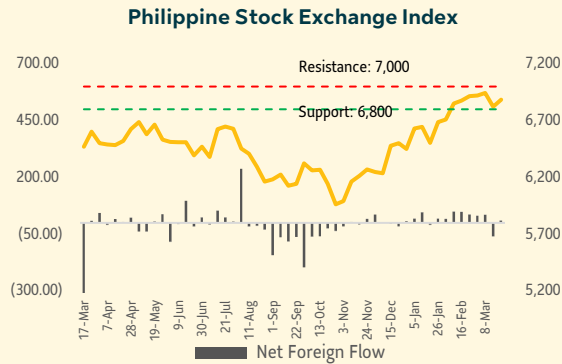
## US Futures Markets Still Not Convinced of A Rate Cut

### Previous Week Summary

#### Local Equities

##### PSEi manages weekly gain on dovish queues from central banks

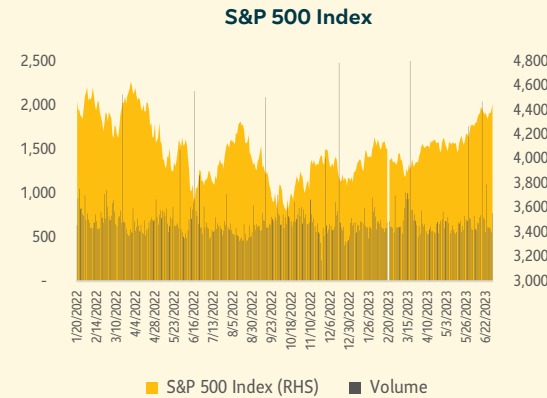
The PSEi greatly benefitted from US Fed statements that three rate cuts are still on the table for this year. The main equity bourse gained 59.65pts, up 0.87% w-w, to end at 6,881.97. Supporting the view on easing rates was the Swiss National Bank's surprise rate cut, helping improve overall sentiment on equities. Almost all sectoral indices were up for the week, with Financials leading gainers at +3.34% w-w while Holding Firms sector was the sole weekly decliner at -1.72% w-w. Foreigners were net buyers for the week at USD8.5mn, vs the USD55.6mn outflow the week prior.



#### Global Equities

##### FOMC, BOJ add fuel to the equity market rally

The rally in equities continued as decisions from FOMC, BOJ and other central banks came out dovish, driving further risk on sentiment in the market. Global Equities drifted higher by another 1.3%. Leaders were Japan with Governor Ueda remaining cautious despite signaling an end to BOJ yield curve control. As a result, the TOPIX resumed its winning streak. It rose by almost 2% with broad based gains across major sectors. US markets were not far behind with the S&P 500 and NASDAQ 100 up by 1.5%-2% as well. Asian markets were not as fortunate as China weak macro data persisted. These releases dragged the MSCI Asia ex Japan index down by -0.1%. This week would be a shortened week due to the Easter Holidays. Nonetheless, investors will be waiting for PCE release, the Fed's preferred inflation gauge. Continued acceleration in this figure could rattle the markets and might finally drive equity markets to correct after a strong five month run-up.



#### Fixed Income

##### Bonds rallied after the Fed kept policy outlook unchanged

US Treasury curve shifted lower as market participants reinstated rate cut bets after the FOMC maintained that they are still looking at 3 rate cuts this year. The 10Y US Treasury yield closed the week at 4.20% or ~11 bps lower. In the Philippines, a strong 20Y auction and the rally in US Treasuries helped increase secondary market activity. But bond yields were relatively unchanged over the week.

#### Economic News

An interest-rate cut at the Federal Reserve's June meeting, though now widely expected, should not be viewed as decision that has already been made, Fed watchers say. When Fed Chair Jerome Powell's press conference ended last Wednesday, expectations that the Fed would cut rates in June shot higher, ending the week at a 67% chance in futures markets, up from just above 50% earlier in the week, according to the CME Group. But economists think the bond market is getting ahead of itself. "The bond market has expected them to move a little early the whole time. I wouldn't be surprised if they wait one more meeting [until July]," said Ethan Harris, retired chief global economist at Bank of America. The January and February consumer inflation readings were "two bad months," and they need three friendly reports before they're ready to pull the trigger. "That may not be in time for June," Harris said. "So I think that's where the debate should be. June or not," he said in an interview.

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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
28-Mar-24	US GDP (4Q 2023)	3.20%	3.20%
28-Mar-24	US Univ of Michigan Sentiment (Mar)	76.5	76.5
1-Apr-24	PH Budget Balance (Feb)		P88 bn

## Bright Ideas

### Fixed Income

#### USD Fixed Income

Key data releases this week are GDP and Core PCE. Several Fed members are also scheduled to give statements. We think yields will continue range bound action in the near-term while inflation outlook remains uncertain. SLIMTC maintains its 4% to 4.30% range for the 10Y yield.

#### PHP Fixed Income

The BTr will re-issue FXTN 7-70 (6.3Y) this week. With the shortened trading week, we expect yields to trade sideways on the absence of fresh catalysts.

### Local Equities

Sentiment on PCOMP remains positive but may see lackluster trading during this shortened trading week. Trading range is at 6,800-7,000.

### 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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