

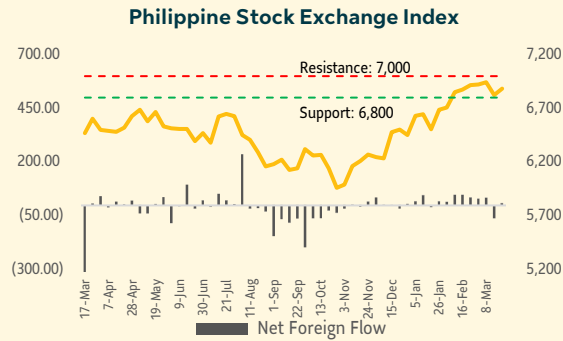
## China Shows Factory Expansion For First Time in Six Months

### Previous Week Summary

#### Local Equities

##### PSEi up +0.31% on a quiet, shortened trading week

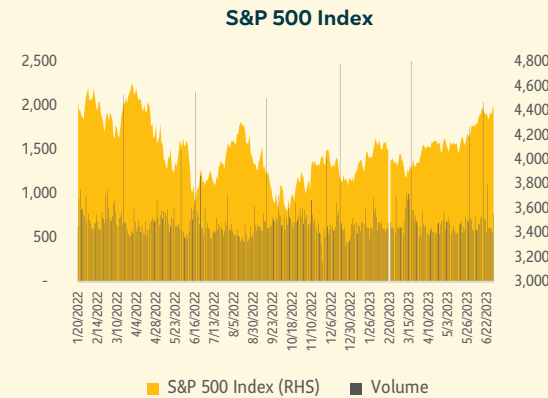
The PSEi was up +0.31% WoW to close the shortened trading week at 6,903.53 ahead of the Holy Week long weekend. Foreigners were net sellers worth P2.4 bn this week while average daily value traded was P7.93 bn. Outperforming sectors this week included Industrials (+0.85%), Property (+0.71%), Services (+0.65%), and Holding Firms (+0.47%). Financials (-0.82%), and Mining & Oil (-1.39%) were the main underperformers.



#### Global Equities

##### Global equities finishes 1Q strong. Investors continue to ride the momentum

Global markets rode its momentum in the final stretch of the quarter as equities surged in the wake of more positive macro data and favorable monetary policy. The S&P 500 closed the quarter up by 10.5%. The NASDAQ 100 ended also strongly, returning 8.7%. The S&P 500 has only seen double digit gains for two quarters in a row in five instances since 1950. Other markets are also enjoying positive sentiment. Japan led the way (TOPIX: +17.2%) and followed by Europe (STOXX 600: 7.8%). Even China has enjoyed a rebound catching up to its DM peers especially during the latter part of March. The CSI 300 posted a gain of +2.6% for 1Q 2024. While history shows that momentum could continue for some time, some investors are still wary of still elevated inflation, outsized valuations and stretched positioning as possible risks for the next correction.



#### Fixed Income

##### Bonds trade sideways on the absence of substantial catalysts in a shortened trading week

US Treasury yields were relatively unchanged over the week as data releases came out within expectations, and quarter-end flows offset hawkish Fed speak. In the Philippines, market activity was relatively muted on a shortened trading week. Moreover, the BTR has released its second quarter borrowing schedule which will focus on the longer tenors.

#### Economic News

China's manufacturing activity expanded for the first time in six months in March, an official factory survey showed on Sunday, offering relief to policymakers even as a crisis in the property sector remains a drag on the economy and confidence. The official purchasing managers' index (PMI) rose to 50.8 in March from 49.1 in February, above the 50-mark separating growth from contraction and topping a median forecast of 49.9 in a Reuters poll. Though the pace of growth was modest, it was also the highest PMI reading since March of last year, when momentum from the lifting of tough COVID-19 restrictions began to stall. "From the indicators, domestic supply and demand has improved, while homeowner and business confidence is recovering, while willingness to consume and invest are increasing," said Zhou Maohua, an analyst with China Everbright Bank. New export orders rose into positive territory, breaking a 11-month slump, but employment continued to shrink, albeit at a slower rate, the PMI data showed. Recent upbeat indicators suggest the world's second-largest economy is slowly getting back on better footing, leading analysts to start upgrading their growth forecasts for the year.

<https://www.cnbc.com/2024/03/31/chinas-march-factory-activity-expands-for-first-time-in-six-months.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
3-Apr-24	US ADP Employment (Mar)	140k	150k
5-Apr-24	US Nonfarm Payrolls (Mar)	275k	200k
5-Apr-24	PH CPI (Mar)	3.40%	3.80%

## Bright Ideas

### Fixed Income

#### USD Fixed Income

ISM and payrolls data are due this week. The 10Y yield continues to trade within the 4.10% to 4.30% range. We remain buyers of duration on dips.

#### PHP Fixed Income

March CPI data is due this Friday with consensus expectations at 3.8%. Local government bond yields have traded in a tight range over the past weeks. But sentiment will likely shift in the near-term based on auction outcomes and global bond market movements.

### Local Equities

Sentiment on PCOMP remains positive as evidenced by foreign investors' buying of local shares. 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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