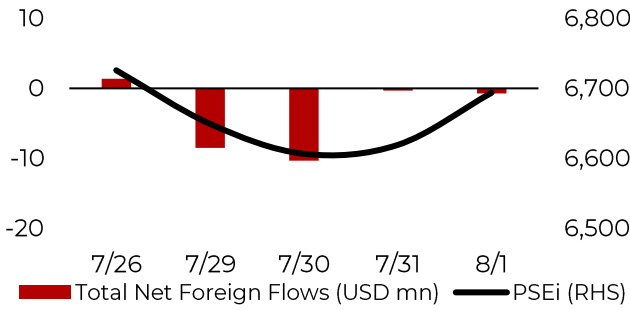


The Morning View

August 2, 2024

Philippine Stock Exchange Index

+1.13% DoD; Net foreign selling: \$0.73mn



	Level	DoD
PSEi	6,693.83	+1.13%
3-mo bond yield	5.78%	-1.51 bps
2-yr bond yield	6.00%	-1.14 bps
10-yr bond yield	6.13%	-4.47 bps
USDPHP	58.33	-0.05%
Oil (Brent, \$ / barrel)	79.52	-1.49%

Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona said a 25 basis points (bps) rate cut in August remains possible. He said that inflation may have peaked already in July, with lower rice tariffs expected to help moderate inflation in the coming months. He also noted that another 25-bps rate cut could happen later in the year.

Manila Electric Co.'s (PSEi Ticker: MER) power generation arm, Meralco PowerGen Corp. (MGen) looks to close LNG deal with Aboitiz Power Corp. (PSEi Ticker: AP) and San Miguel Global Power Holdings Corp. MGen president Rubio said that they are expecting to close the deal by end-September, pending approval from the Philippine Competition Commission.

Local equities rose as investors digested the US Federal Reserve's policy decision to keep rates steady. This was also after Fed Chair Powell signaled a possible rate cut in September if inflation continues to ease. The PSEi closed at 6,693.83 (+1.13% DoD).

Local fixed income yields fell after Fed Chair Powell hinted a possible rate cut in September. On average, yields fell by 2.39 bps, with the 2Y closing at 6% (-1.14 bps) and the 10Y closing at 6.13% (-4.47 bps).

The **Philippine peso** strengthened after dovish remarks from Fed Chair Powell. The USD/PHP pair closed at 58.33 (-0.05% DoD).

The Bank of England reduced its policy rate by 25 bps to 5.0%, the first rate cut in four years. British policymakers voted 5-4 in favor of cutting rates, with the committee citing caution on its future rate actions.

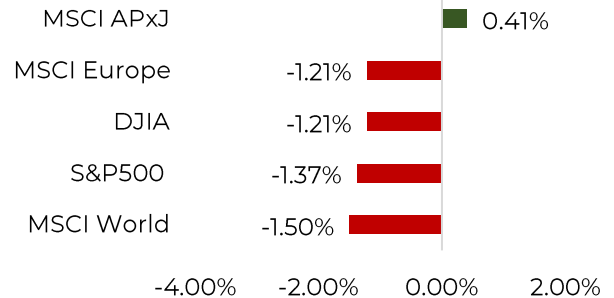
US Institute for Supply Management (ISM) manufacturing Purchasing Managers Index (PMI) dropped to an eight-month low of 46.8 in July (June: 48.5, consensus: 48.8). Despite a sharp rebound in factory production during the second quarter, this remained in contraction territory due to a decline in new orders.

US equities dropped as recession fears resurfaced following weak economic data releases, including the below-consensus US ISM manufacturing PMI and the rise in weekly initial jobless claims. The S&P 500 closed at 5,446.68 (-1.37% DoD) and the DJIA closed at 40,347.97 (-1.21% DoD).

US Treasury yields fell as investors continued to digest Fed Chair Powell's remarks hinting at a possible September rate cut. Investors also parsed through rising jobless claims and weaker-than-expected US manufacturing PMI data. On average, yields fell by 5.88 bps, with the 2Y closing at 4.15% (-10.70 bps) and the 10Y closing at 3.98% (-5.50 bps).

The **US dollar** strengthened after the Bank of England decided to cut its policy rate to 5.0%. The DXY closed at 104.42 (+0.31% DoD).

Global Stock Indices



	Level	DoD
S&P 500	5,446.68	-1.37%
DJIA	40,347.97	-1.21%
3-mo US Treasury yield	5.26%	-2.70 bps
2-yr US Treasury yield	4.15%	-10.70 bps
10-yr US Treasury yield	3.98%	-5.50 bps
DXY	104.42	+0.31%

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