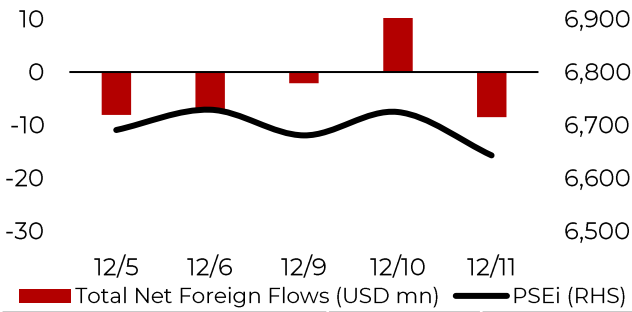


The Morning View

December 12, 2024

Philippine Stock Exchange Index

-1.22% DoD; Net foreign selling: \$8.53mn



	Level	DoD
PSEi	6,642.71	-1.22%
3-mo bond yield	5.83%	+4.29 bps
2-yr bond yield	5.92%	+0.48 bps
10-yr bond yield	5.95%	-1.73 bps
USDPHP	58.28	+0.47%
Oil (Brent, \$ / barrel)	73.52	+1.84%

Philippine banks' gross nonperforming loan (NPL) ratio rose to a two-year high of 3.6% in October (September: 3.47%). This was driven by the 16.7% YoY increase in nonperforming loans to Php524.3 billion. Loans are classified as nonperforming if they remain unpaid for 90 days or more past their due date.

Manila Electric Co.'s (PSE Ticker: MER) Php200-billion Terra Solar project seeks approval from the Energy Regulatory Commission to build a transmission facility. Terra Solar Philippines, Inc. plans to connect the project to Luzon grid via bus-in connection, essential to the plant's targeted operations of 1Q26.

Local equities fell amid cautious sentiment ahead of the release of the November US Consumer Price Index (CPI) inflation report. Investors also digested the wider local trade deficit in October and World Bank's FY24 PH growth forecast downgrade to 5.9% from previously 6.0%. The PSEi closed at 6,642.71 (-1.22% DoD).

Local fixed income yields ended mixed as investors stayed cautious ahead of the US CPI inflation print for November. On average, yields rose by 1.29 bps, with the 2Y closing at 5.92% (+0.48 bps) and the 10Y closing at 5.95% (-1.73 bps).

The **Philippine peso** weakened amid expectations of faster US consumer and producer inflation prints for November. The USD/PHP pair closed at 58.28 (+0.47% DoD).

US Consumer Price Index (CPI) rose by 2.7% YoY in November (Oct: 2.6%), in line with the market's expectations. On a MoM basis, US CPI rose by 0.3% in the same period (Oct: 0.2%). This was primarily driven by sticky shelter costs which accounted for approximately 35% of the gain in the period.

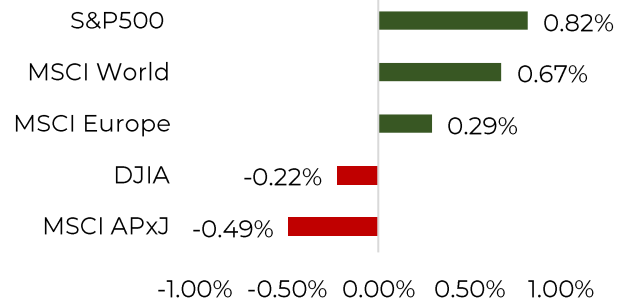
The Bank of Canada (BoC) reduced its key policy rate by 50 bps to 3.25% to address concerns over slower economic growth. BOC Governor Tiff Macklem noted that he does not expect a recession, but a more gradual pace of rate cuts moving forward is warranted given uncertainties amid potential tariffs from the US.

US equities were mixed as investors digested the US CPI inflation print for November which accelerated but came in line with the market's expectations. The S&P 500 closed at 6,084.19 (+0.82% DoD) and the DJIA closed at 44,148.56 (-0.22% DoD).

US Treasury yields moved higher after November's CPI data matched expectations and as investors looked forward to the Fed meeting next week. On average, yields rose by 2.11 bps, with the 2Y closing at 4.16% (+0.8 bps) and the 10Y closing at 4.27% (+4.50 bps).

The **US dollar** strengthened after the November CPI posted its largest MoM gain since April. Investors are also looking ahead to the release of the US Producer Price Index data. The DXY closed at 106.71 (+0.29% DoD).

Global Stock Indices



	Level	DoD
S&P 500	6,084.19	+0.82%
DJIA	44,148.56	-0.22%
3-mo US Treasury yield	4.37%	-2.60 bps
2-yr US Treasury yield	4.16%	+0.80 bps
10-yr US Treasury yield	4.27%	+4.50 bps
DXY	106.71	+0.29%

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