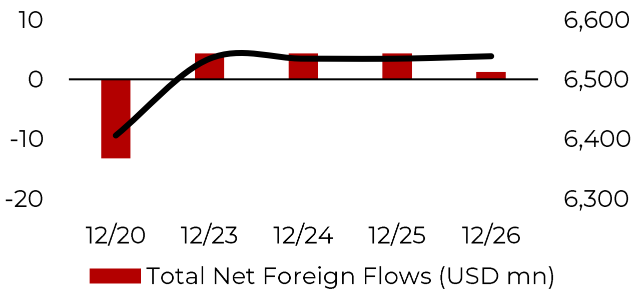
The Morning View

December 27, 2024

Philippine Stock Exchange Index

+0.06% DoD; Net foreign buying: $1.26mn



	Level	DoD
PSEi	6,539.02	+0.06%
3-mo bond yield	5.91%	-3.49 bps
2-yr bond yield	6.03%	+2.15 bps
10-yr bond yield	6.12%	+1.16 bps
USDPHP	57.97	-0.82%
Oil (Brent, $ / barrel)	73.26	-0.43%

The National Government's budget deficit widened to Php213 billion in November, a reversal from the Php6.3-billion surplus in October. This was driven by a 0.61% YoY drop in revenues amid a sharp decline in nontax collections and a 27.13% YoY surge in expenditures due to increased road and defense infrastructure projects, social programs, and local government units' allotments.

SM Investments Corporation (PSE Ticker: SM) President and Chief Executive Officer Frederic DyBuncio said that moderating inflation could boost consumer confidence in 2025. He added that this could create opportunities in consumer-focused sectors in the country, which SM is poised to cater to.

Local equities inched up amid last-minute bargain hunting. The strengthening of the peso and expectations of a rate cut from the Bangko Sentral ng Pilipinas in early 2025 also lifted the market sentiment. The PSEi closed at 6,539.02 (+0.06% DoD).

Local fixed income yields rose as investors digested the national government's Php629-billion domestic borrowing plan for the first quarter of 2025. On average, yields rose by 1.53 bps, with the 2Y closing at 6.03% (+2.15 bps) and the 10Y closing at 6.12% (+1.16 bps).

The **Philippine peso** strengthened on the back of the seasonal inflow of remittances amid the holiday season. The USD/PHP pair closed at 57.97 (-0.82% DoD).

US weekly jobless claims fell by 1,000 to a seasonally adjusted 219,000 for the week ending December 21, the lowest in a month and below market expectations of 223,000. Despite this decline, continuing claims rose to 1.910 million, the highest since November 2021. This reflected longer unemployment duration.

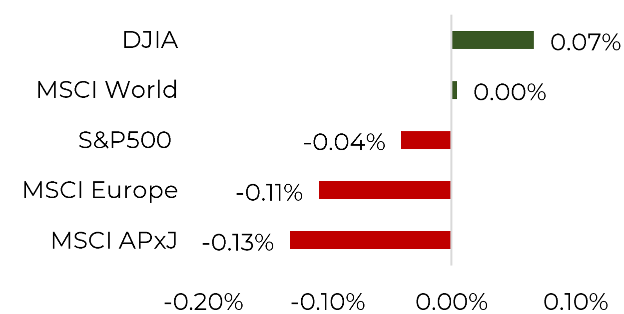
Tokyo core consumer price index (CPI) inflation accelerated to 2.4% YoY in December (November: +2.2%; Consensus: 2.5%) due to broadening price pressures after the government temporarily phased out utility subsidies. The faster CPI inflation, being closely watched by the Bank of Japan, keeps the possibility open for a rate hike.

US equities ended mixed amid muted trading after the Christmas holiday. Investors also weighed the lower-than-expected US weekly jobless claims data. The S&P 500 closed at 6,037.59 (-0.04% DoD) and the DJIA closed at 43,325.8 (+0.07% DoD).

US Treasury yields declined amid strong demand from a fresh 7-year notes auction. On average, yields fell by 0.40 bps, with the 2Y closing at 4.33% (-0.70 bps) and the 10Y closing at 4.59% (-0.60 bps).

The **US dollar** weakened as investors digested the increase in US weekly continuing unemployment claims and thin holiday trading. The DXY closed at 108.13 (-0.12% DoD).

Global Stock Indices



	Level	DoD
S&P 500	6,037.59	-0.04%
DJIA	43,325.80	+0.07%
3-mo US Treasury yield	4.34%	+0.90 bps
2-yr US Treasury yield	4.33%	-0.70 bps
10-yr US Treasury yield	4.59%	-0.60 bps
DXY	108.13	-0.12%