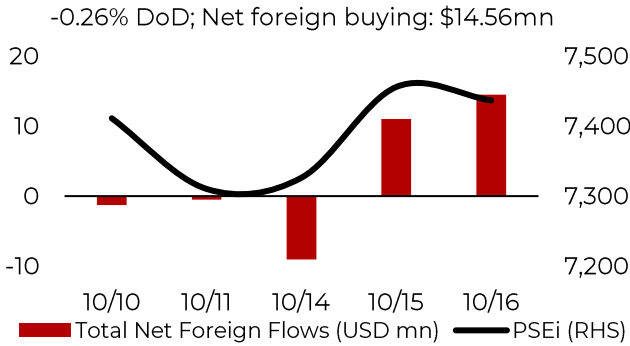


The Morning View

October 17, 2024

Philippine Stock Exchange Index



	Level	DoD
PSEi	7,437.00	-0.26%
3-mo bond yield	5.05%	-7.75 bps
2-yr bond yield	5.52%	-0.97 bps
10-yr bond yield	5.73%	-0.09 bps
USDPHP	57.70	-0.29%
Oil (Brent, \$ / barrel)	74.22	-0.04%

The Bangko Sentral ng Pilipinas (BSP) reduced the policy rate by 25 bps for a second straight meeting to 6.0%. BSP Governor Eli Remolona, Jr. said that this was on the back of well-anchored inflation expectations. He also signaled the possibility of further rate cuts ahead.

Manila Electric Co. (PSE Ticker: MER) seeks approval from the Energy Regulatory Commission for its 600-megawatt power supply agreements (PSA). According to MER, the PSAs signed with San Miguel Global Power and Aboitiz Power would result in consumer savings of Php11.76 billion.

Local equities fell as investors remained cautious ahead of the BSP policy rate decision which was released after trading hours. Negative spillover from US indices last Tuesday also dampened market sentiment. The PSEi closed at 7,437. (-0.26% DoD).

Local fixed income yields dropped after the BSP delivered another 25-bp rate cut during its policy meeting. On average, yields fell by 3.23 bps, with the 2Y closing at 5.52% (-0.97 bps) and the 10Y closing at 5.73% (-0.09 bps).

The **Philippine peso** strengthened amid easing Middle East tensions. Traders also repositioned following the BSP's decision to cut by 25 bps. The USD/PHP pair closed at 57.70 (-0.29% DoD).

US import prices decline by 0.4% YoY in September (Aug: -0.3%) due to declining energy costs. The drop was lower than consensus expectations of -0.3% YoY. Excluding fuel, import prices would have increased by 1.8% YoY in September.

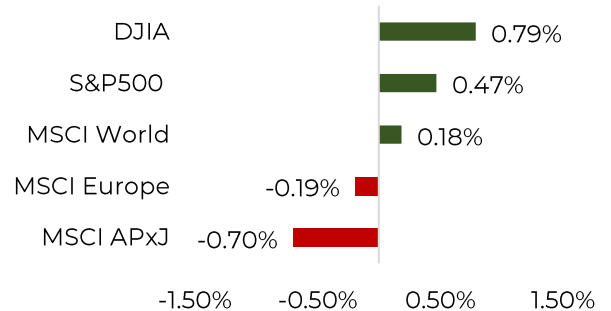
Bank of Japan (BOJ) policymaker Seiji Adachi said that the BOJ must hike rates at a "very moderate" pace. He warned that further rises in the yen once the US Fed lowers rates further and slowing global demand may weigh on inflation and wage growth.

US equities rose amid gains from small-caps and financial stocks. Morgan Stanley surged by 6.5% to a record close after reporting strong profits. The S&P 500 closed at 5,842.47 (+0.47% DoD) and the DJIA closed at 43,077.7 (+0.79% DoD).

US Treasury yields fell as investors continued to digest dovish comments of Minneapolis Fed President Kashkari, Fed Governor Waller, and San Francisco Fed President Daly. These supported expectations of further rate cuts ahead. On average, yields fell by 1.43 bps, with the 2Y closing at 3.94% (-0.80 bps) and the 10Y closing at 4.02% (-2.00 bps).

The **US dollar** strengthened to an 11-week high as investors ruled out the possibility of an aggressive rate cut in November and weighed a potential election win of former president Donald Trump. The DXY closed at 103.59 (+0.32% DoD).

Global Stock Indices



	Level	DoD
S&P 500	5,842.47	+0.47%
DJIA	43,077.70	+0.79%
3-mo US Treasury yield	4.64%	-0.10 bps
2-yr US Treasury yield	3.94%	-0.80 bps
10-yr US Treasury yield	4.02%	-2.00 bps
DXY	103.59	+0.32%

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