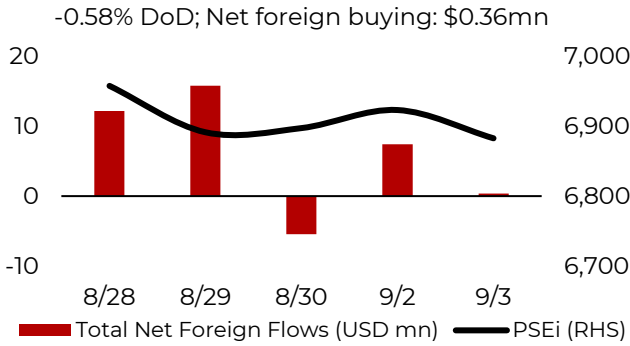


The Morning View

September 4, 2024

Philippine Stock Exchange Index



	Level	DoD
PSEi	6,882.92	-0.58%
3-mo bond yield	5.92%	+0.38 bps
2-yr bond yield	6.02%	+1.09 bps
10-yr bond yield	6.09%	+1.55 bps
USDPHP	56.61	+0.41%
Oil (Brent, \$ / barrel)	73.75	-4.86%

The Bureau of the Treasury (BTr) reported that the national government's debt rose by 10.2% YoY to Php15.7 trillion as of end-July. Domestic debt increased by 9.6% YoY due to the net issuance of government securities, while foreign debt grew by 11.4% YoY due to the net availments of project loans.

The Supreme Court denied the Energy Regulatory Commission's appeal against the termination of power supply agreements (PSAs) between Manila Electric Co. (PSEi Ticker: MER) and San Miguel Corp.'s (PSEi Ticker: SMC) power units. Last 2022, MER and SMC ended its PSAs due to a rapid increase in international fuel prices, which led to operational losses.

Local equities fell amid profit-taking and the weakening of the Philippine peso. Investors also awaited the release of the August local headline inflation print. The PSEi closed at 6,882.92 (-0.58% DoD).

Local fixed income yields rose ahead of the local inflation report in August. This was also amid the BTR's reissuance of 20-year treasury bonds. On average, yields rose by 0.38 bps, with the 2Y closing at 6.02% (+1.09 bps) and the 10Y closing at 6.09% (+1.55 bps).

The **Philippine peso** weakened as traders positioned ahead of the US manufacturing and labor data to be released this week. The USD/PHP pair closed at 56.61 (+0.41% DoD).

US Institute for Supply Management (ISM) manufacturing Purchasing Managers' Index (PMI) rose to 47.2 in August (July: 46.8, consensus: 47.5), signaling a slower rate of contraction. This was driven by improved employment but was offset by further decline in new orders and rise in inventory.

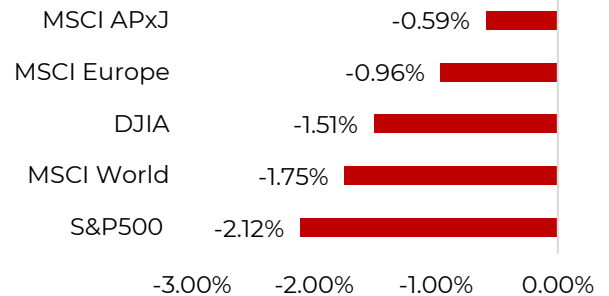
US construction spending fell by 0.3% MoM in July (June: -0.3%), contrary to the market's expectation of a 0.1% MoM rise. The decline is attributed to the drop in outlays on new single-family housing projects as high mortgage rates weighed on demand.

US equities fell after Nvidia and other chip stocks dropped. Traders also weighed the weak US manufacturing data which rekindled worries about the health of the economy. The S&P 500 closed at 5,528.93 (-2.12% DoD) and the DJIA closed at 40,936.93 (-1.51% DoD).

US Treasury yields dropped after the weaker-than-expected US manufacturing data. Investors also looked ahead to the July job openings and the August ADP private payrolls reports this week. On average, yields fell by 5.13 bps, with the 2Y closing at 3.87% (-5.40 bps) and the 10Y closing at 3.83% (-7.20 bps).

The **US dollar** strengthened as investors digested the below-consensus US manufacturing data. This was also ahead of US payroll data releases this week. The DXY closed at 101.83 (+0.17% DoD).

Global Stock Indices



	Level	DoD
S&P 500	5,528.93	-2.12%
DJIA	40,936.93	-1.51%
3-mo US Treasury yield	5.12%	+0.20 bps
2-yr US Treasury yield	3.87%	-5.40 bps
10-yr US Treasury yield	3.83%	-7.20 bps
DXY	101.83	+0.17%

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