

Market Update – July 2023

Philippine Markets

The Philippine Statistics Authority reported headline inflation slowed down further to 4.7 percent in July 2023 from 5.4 percent in June 2023. This is the sixth straight month of deceleration from the peak of 8.7% in January, mainly brought about by the slower year-on-year increase in housing, water, electricity, and gas. Year-to-date, inflation is at 6.8%, lower than the 7.2% recorded in June yet still higher than the government's target range of 2% to 4%. Core inflation, which excludes selected food and energy items, decelerated to 6.7 percent in July 2023 from 7.4 percent in June 2023.

Philippine unemployment rate increased to 4.5 percent in June 2023 from 4.3 percent in May 2023. Data shows 2.33 million unemployed Filipinos in June higher than 2.17 million from the prior month but an improvement from the 2.95 million from a year ago.

The Philippine Stock Exchange Index (PSEi) was up 1.9% month-on-month in July. Positive sentiment resulted to bargain hunting as disinflation continues in the US and back home. Net foreign buying for the month significantly improved at Php18.2 billion largely on account of the equity share sale of Rizal Commercial Banking Corporation (RCBC) to Sumitomo Mitsui Bank Corporation. The PSEi closed at 6,591.47, translating to a year-to-date gain of 0.38% despite 16 out of the 30 index companies having negative YTD stock price performance.

President Ferdinand signed the Maharlika Investment Fund (MIF) into law on 18 July 2023. Republic Act (RA) 11954 establishes the MIF, which is intended to become a vehicle to make profitable and strategic investments in key sectors. The government expects the wealth fund to become an instrument to accelerate the implementation of 194 infrastructure projects approved by the National Economic and Development Authority (NEDA). Critics cite the lack of surplus funds of the government to fund such a sovereign fund.

US Markets

The consumer price index, which measures changes in a multitude of goods and services, rose 0.2% in July and was up 3.2% from a year ago. Almost all of the monthly inflation increase came from shelter costs, which rose 0.4% and were up 7.7% from a year ago. Excluding volatile food and energy categories, core CPI rose 0.2% monthly and 4.7% from a year ago. Central bank policymakers tend to look more at core CPI, which is still running well above the Fed's 2% annual target. In its July 26 meeting, the Fed raised the benchmark federal funds rate to 5.25% to 5.5%, the highest level in 22 years. Future interest rate decisions will depend on incoming data, said Fed Chair Jerome Powell. July's US unemployment rate of 3.5% helped growing perceptions among economists that the Fed could engineer a "soft landing" for the economy despite its rapid rate hikes. Fitch Ratings has downgraded the United States of America's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'AA+' from 'AAA' as a consequence of repeated debt-limit standoffs, and growing government debt burden.

These price data reflect observations at market close on 31 July 2023: S&P500 ends at 4,588.96 and was up 3.1% in July, bringing its YTD return to 19.5%. The NASDAQ Composite closed at 14,346.02 to gain 4.0% in July and 37.1% YTD. Dow Jones Industrial gained 3.3% month-on-month closing July at 35,559.53 with a YTD gain of 7.3%. The dollar index, which measures the currency against a basket of six peers, fell 1.02% and settled at 101.86 after dropping to 2023 low of 99.87 in mid-July.

Rice Hits Highest since 2008

On 20 July, India, the world's largest rice exporter (21.5M metric tons), banned exports of non-basmati white rice to calm rising domestic prices at home. This was followed by reports and videos of panic buying and empty rice shelves at grocery stores in the US and Canada, driving up prices in the process. More recently, Thai white rice 5% broken, an Asian benchmark, jumped to \$648 a ton, the most expensive since October 2008. Rice is vital to the diets of billions of people in Asia and Africa, and the surge in prices could add to inflationary pressures and boost import bills for buyers. The Philippines is the world's second largest importer of rice, needs close to 4 million metric tons of imported rice to cover the gap of around 12 million metric tons produced in the country. Higher risk to exports of Thailand (8.2M metric tons) and Vietnam (6.8M metric tons) due to climate issues causing lower crop yields.

VUL Funds Update

The Peso and Dollar Systematic Global Sustainable Income Fund (GSIF) declared its seventh unit income distribution for July 2023 at 6.10% p.a. and 5.92% p.a. respectively. The Peso and Dollar Global Multi-Asset Income-Paying Fund distributed 6.85% p.a. and 6.72% p.a. respectively in unit income for the month. InLife's local equity funds continues to outperform the PSEi (InLife Equity Fund 0.83% vs PSEi 0.38% YTD). Only the Guardian, ONE, and Recovery Equity Fund lagged compared to the benchmark index. The Global Technology Fund and Dollar Opportunity Fund year-to-date performance of 27.03% and 26.18 % respectively. YTD returns are driven by gains from US Mega-cap technology companies.

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