

# MARKETING UPDATE

## Market Update – October 2023

### Philippine Markets

The Philippine Statistics Authority reported headline inflation slowed to 4.9% in October from 6.1% in September. The October print was the slowest since July and brought the year-to-date average to 6.4%. Core inflation, which strips out the impact of volatile food and energy prices, eased to 5.3% from 5.9% in September. This is a reversal of the two months of rising inflation caused by food and fuel increases. The Bangko Sentral ng Pilipinas kept its policy rate at 6.5% in its 26Nov23 meeting as the inflation outlook moderated over the policy horizon. Based on the BSP's latest projection, full-year inflation is expected at 6.1% in 2023, slightly better than the 6.2% forecast in the last Monetary Board meeting on Oct. 26.

The Philippines' 3<sup>rd</sup> Quarter Gross Domestic Product (GDP) expands 5.9% vs forecast 4.7%. This performance keeps the Philippines on track to be Southeast Asia's fastest growing economy this year and the next as predicted by the International Monetary Fund. Other key details: Government spending rose 6.7% year on year (YoY), consumer spending increased 5% YoY, gained 4.8% vs. last quarter, investments fell 1.6% YoY, services grew 6.8% YoY and agriculture increased 0.9% YoY. 4<sup>th</sup> Quarter GDP needs to hit 7.2% growth to achieve the government target of 6%-7% in 2023.

The country's unemployment rate dropped to 4.5% in September 2023 from 5.0% in the same month last year. In August, the unemployment rate was posted at 4.4%.

The Philippine Stock Exchange Index (PSEi) was down 5.5% month on month. The market breached the 6,000-level support as worries on rising yields and inflationary pressures weighed down on sentiment. Net foreign selling for the month was Php9.7 billion. The PSEi closed at 5,973.78, translating to a year-to-date decline of 9.0%

### US Markets

The consumer price index (CPI), which measures a broad basket of commonly used goods and services, increased 3.2% from a year ago in October despite being unchanged for the month as energy prices declined 2.5% for the month, offsetting a 0.3% increase in the food index. The annual level was the lowest in two years, down from 4.1% in September, though still well above the Federal Reserve's 2% target. Excluding volatile food and energy prices, the core CPI rose 0.2% monthly and 4% from a year ago. Despite markets believing that the Fed is done with rate hikes, Fed Chair Jerome Powell said he and his fellow policymakers remain unconvinced that they've done enough to get inflation back down to a 2% annual rate and won't hesitate to raise rates if more progress isn't made.

These price data reflect observations at market close on 31 October 2023: S&P 500 ends at 4,193.80 and was down 2.2% in October slowing its YTD gains to 9.2%. The NASDAQ Composite closed at 12,851.24 down 2.8% in October bringing its YTD gain to 22.8%. DJIA was down 1.4% in October closing at 33,052.87 bringing its YTD return to -0.3%. The dollar index, which measures the currency against a basket of six peers, gained 0.4% in October at 106.66.

### Israel-Hamas Conflict Update

At the one month mark since the Hamas attack on Israel, at least 10,328 Palestinians in Gaza have been killed in Israeli retaliation attacks. In Israel, the death toll over the same period stands at more than 1,400. Multiple sources have cited that Pres. Biden has requested for a ceasefire in order for aid and humanitarian relief work for those affected in conflict areas inside Gaza.

Aside from the immense humanitarian tragedy, the world is cautious that more nations could be drawn into the conflict. Either an excessively violent or prolonged war could bring Israel into direct conflict with Iran, a supplier of arms and money to Hamas, which the US and the European Union have designated a terrorist group. In that scenario, Bloomberg Economics estimates oil prices could soar to \$150 a barrel and global growth drop to 1.7% — a recession that takes about \$1 trillion off world output. The Arab-Israeli war of 1973, which led to an oil embargo and years of stagflation in industrial economies, is the clearest example. This is a developing story and will be updated in the coming months.

### VUL Funds Update

The Peso and Dollar Systematic Global Sustainable Income Fund (GSIF) declared its tenth unit income distribution for October 2023 at 6.31% p.a. and 6.42% p.a. respectively. The Peso and Dollar Global Multi-Asset Income-Paying Fund distributed 7.14% p.a. and 6.95% p.a. respectively in unit income for the month. The Global Technology Fund and Dollar Opportunity Fund YTD performance of 17.49% and 13.70% respectively. InLife's local equity fund returned negative performance but lost less ground than PSEi for the same period (IL Equity Fund -5.79% YTD vs PSEi -9.02% YTD).

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