



# PHILEQUITY CORNER

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## Market Recap of 2023

In 2023, the US dollar experienced its first decline since 2020 as the market perceives that inflation and US interest rates have peaked. The dollar index (DXY), which holds a substantial euro weighting, declined by 2.1%. Among major currencies, the Swiss franc emerged as the top performer last year with a gain of 9.9%. The Japanese yen was the weakest, declining 7% against the greenback. The performance of Asian currencies was mixed with the Philippine peso showing a modest increase of 0.6%.

Major Currencies	%Chg	Asian Currencies	%Chg
Swiss Franc	9.9%	Singapore Dollar	1.5%
British Pound	5.4%	Indonesian Rupiah	1.1%
Euro	3.1%	Thai Baht	1.0%
Canadian Dollar	2.3%	Philippine Peso	0.6%
Australian Dollar	0.0%	Taiwanese Dollar	0.5%
New Zealand Dollar	-0.5%	Indian Rupee	-0.6%
Norwegian Krone	-3.6%	Korean Won	-2.4%
Japanese Yen	-7.0%	Chinese Yuan	-2.8%
<b>Dollar Index</b>	<b>-2.1%</b>	Malaysian Ringgit	-4.1%

## Dovish Fed boosts bonds

Global bonds surged in the last two months of 2023 on expectations that the Fed will be cutting rates this year. Yields across various US Treasuries (30-year, 10-year, and 5-year) dropped below 4% after reaching 15-year highs above 5% in October. The Bloomberg Global Aggregate bond market index marked a notable recovery, surging 5.7% from the preceding year's 13% loss. While the US Aggregate bond index rebounded by 5.5%, bonds in international markets registered higher gains.

Bonds	%Chg
Bloomberg Global Aggregate	5.7%
US Aggregate	5.5%
Pan-Euro Aggregate	7.5%
EM USD Aggregate	9.1%
Asian-Pacific Aggregate	5.9%

## US production shakes oil market

Despite geopolitical tensions such as the Russia-Ukraine war and Israel-Hamas conflict, as well as efforts by OPEC+ to curtail output, crude oil prices witnessed a surprising 10% decline in 2023. This decline was primarily fuelled by the unprecedented surge in US oil production, setting a record output of 13 million barrels per day. Reduced demand from China and Europe further contributed to the fall in energy prices, leading to a 44% decrease in natural gas prices and a 14.6% drop in gasoline prices.

Energy	%Chg	Agriculture	%Chg
Brent Crude Oil	-10.3%	Cocoa	61.4%
WTI Crude Oil	-10.7%	Orange Juice	53.1%
RBOB Gasoline	-14.6%	Coffee	12.6%
Natural Gas	-44.0%	Sugar	2.7%
<b>Industrial Metals</b>		Rough Rice	-4.7%
Tin	2.4%	Palm Oil	-10.9%
Copper	2.1%	Soybean	-14.8%
Aluminum	-0.1%	Wheat	-20.7%
Zinc	-10.6%	Corn	-30.5%
Nickel	-45.2%	<b>Precious Metals</b>	
		Gold	13.5%
		Silver	0.2%

*Source: Bloomberg*

### "Rice and sugar prices fall

In 2023, agricultural commodity prices took divergent paths. Cocoa and orange juice prices surged by 61.4% and 53.1%, respectively. This is due to supply shortages caused by swollen shoot disease affecting West African cocoa and citrus greening impacting US oranges. Conversely, the prices of wheat, corn, soybean, and rice declined due to abundant harvests in key producing regions. Despite sugar's substantial surge of 40% by November, a sharp 21% drop in December due to favorable weather conditions in Brazil and Thailand resulted in a modest 2.7% gain for sugar by the year's end. The drop in rice and sugar prices bodes well for the Philippine inflation outlook)

### China's impact on metal prices


Nickel prices plummeted 45.2% in 2023 following a surge in supply from Indonesia and rising inventory at the London Metals Exchange and the Shanghai Futures Exchange. Meanwhile, copper and tin initially surged upon China's reopening but ended the year with moderate gains as China's performance fell short of expectations, impacting the metals market.

### Crypto's remarkable 2023 resurgence

2023 witnessed a remarkable resurgence in Bitcoin and other cryptocurrencies. Bitcoin's impressive 156% rally managed to reverse much of its losses from 2022. Bitcoin surged from \$16,500 at the beginning of the year to \$42,000 by December, while Ethereum also saw an 81% increase. The anticipation of bitcoin ETFs awaiting approval from the SEC remained a highlight throughout the year.

### Philippine stocks: a relative value play

After notable gains in November and December, US stocks took a breather in the first week of the year. The Nasdaq 100 saw a 3.1% decline, and the S&P 500 index dropped by 1.5% for the week, signaling a pause after nine consecutive weeks of gains. This move also indicates a market broadening and a rotation from mega-cap tech stocks towards sectors like financials, utilities, energy, and healthcare, which showed positive performance last week.



Part of this broadening is going into other countries that underperformed in 2023, including the Philippines and most ASEAN markets. Notably, the PSE Index (PSEi) surged impressively by 2.78% last week. This shift highlights a scenario where stocks outside the US appear notably undervalued, potentially offering investors an opportunity in 2024. The recent surge in the Philippine stock market suggests an emerging interest among investors possibly drawn to its relative value.

*Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit [www.philequity.net](http://www.philequity.net) to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email [ask@philequity.net](mailto:ask@philequity.net).*