

Santa Claus delivered! The PSEi continued its ascent as it rose 3.6% in December, ending 2023 at 6,450. The 2-month rally erased most of the stock market's losses for the year. Sadly, the index was down 1.8% in 2023. This is the 1st time in the PSEi's history that the index has been down for 4 straight years.

Still, December was a good month for Philippine stocks as the risks that plagued our market all took a backseat. Rice prices peaked, oil prices fell despite the Israel-Hamas conflict, and so November inflation figures were below forecast.

The big news came from the central banks. After pummeling markets with his statements since 2022, Fed Chairman Jerome Powell sang a different tune this time around. Not only did he maintain the Fed's pause on hikes, but he also indicated that 3 interest rate cuts are likely next year. Moreover, they expect this to occur against a backdrop of a soft landing instead of a recession. This "dovish pause" electrified equities as investors started to price in the easing of monetary policy amidst a Goldilocks scenario for the economy. best performing Asian currency against the US\$ YTD.

For its part, the BSP maintained a hawkish pause, with BSP Governor Eli Remolona, Jr. saying that he does not anticipate any rate cuts in 1H24. This lent strength to the Philippine peso which, at one point in December, was the best performing currency in Asia for 2023. Note that peso strength not only reduces inflation, but statistics show that a strong peso is correlated with higher stock prices.

Thank you and Happy New Year!

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