

MARKETING UPDATE

Market Update –February 2023

Philippine Markets

The Monetary Board decided to raise the interest rate on the Bangko Sentral ng Pilipinas' (BSP) overnight reverse repurchase facility by 25 basis points to 6.25 percent, effective 24 March 2023. Accordingly, the interest rates on the overnight deposit and lending facilities will be set to 5.75 percent and 6.75 percent, respectively. The Philippine Statistics Authority reported today that the country's headline inflation rate marginally slowed down to 8.6 percent in February 2023 from 8.7 percent in January 2023, as price increases of certain food commodities and energy eased. The figure was within the 8.5% to 9.3% forecast range of the BSP for the month.

Local yield curve shifted upward, averaging 21 bps month-on-month in February. 10Y BVAL rate rose by 22 bps to 6.3%. ROP yield curve shifted upward at an average of 38 bps month-on-month in February. ROPs tracked movement in US Treasuries, which saw yields rising by 36 bps on average. 10Y US Treasury yield ended the month higher by 41 bps to 3.92%.

The Philippine Stock Exchange Index (PSEi) was down by 3.5% month on month, erasing the strong start seen in January. The market succumbed to profit taking as familiar economic headwinds reemerged dampening investor sentiment. The PSEi closed at 6,556.20, translating to a year-to-date decline of 0.2%.

US Markets

The consumer price index was 6.0% in February 2023 (improved from 6.5% and 6.4% in December 2022 and January 2023 respectively). Excluding volatile food and energy prices, core CPI rose 0.5% in February and 5.5% on a 12-month basis. The decline energy prices helped keep inflation in check, while shelter costs increased sharply.

In its meeting on March 22, 2023 the Federal Reserve (Fed) implemented another 25 basis point interest rate hike. The increase takes the benchmark federal funds rate to a target range between 4.75%-5.00%. Along with its 9th rate hike since March 2022, the rate-setting Federal Open Market Committee (FOMC) noted that future increases are not assured and will depend largely on incoming data.

These price data reflect observations at market close on 28 February 2023: S&P500 ends February at 3,970.15, lower by 2.6% compared to January and now only 3.4% up on year-to-date basis. The tech-heavy Nasdaq closed at 11,455.54, up 9.56% year-to-date despite its slide of 1.1% compared to January. The 30-stock DJIA erased gains this year, now down by 1.4%, closing February at 32,656.70. Brent crude, the global oil benchmark, retreated 0.1% in February to finish the month at \$84.31 a barrel. The WSJ Dollar Index closed weaker, now down by 1.3% year-to-date. The euro is 1.2% weaker against the U.S. dollar on a year-to-date basis.

Anniversary of the Russia-Ukraine War

February 24, 2023 marks one year since Russian President Vladimir Putin announced the invasion of Ukraine. In a surprise to many, Ukraine was able to fight off what many thought to be a quick victory for the Russians. The conflict bared the weaknesses of Russia's military power, yet it has been a long-drawn conflict which scholars say took root when Russia annexed Crimea in 2014. Ukraine President Volodymyr Zelensky has visited the US in December 21, 2022 and Britain in February 8, 2023 to shore up support and military aid from its allies. For a brief review of the first year of the conflict, click on this [link](#).

VUL Funds Update

The Peso and Dollar Systematic Global Sustainable Income Fund (GSIF) declared its second unit income distribution at 5.89% p.a. and 5.84% p.a. respectively. GSIF continues to deliver on Environment, Social and Governance or ESG-related outcomes by showing 18% ESG score uplift and 53% carbon intensity reduction compared to benchmarks as of February 28, 2023.

Inlife's local equity funds outperformed the slightly negative year-to-date performance of the PSEi. The Global Technology Fund and Dollar Opportunity Fund year-to-date performance of 9.62% and 6.91% respectively shows the optimism that disinflation is beginning to take hold in the US, and that the probability of a soft landing become more imaginable. The Peso and Dollar Global Multi-Asset Income-Paying Fund distributed 6.64% p.a. and 6.52% p.a. respectively in unit income for the month of February 2023.

Click [here](#) to download the latest Key Investor and Information Disclosure Statements of the VUL funds.

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