

Market Update –March 2023

Philippine Markets

The Philippine Statistics Authority reported the headline inflation rate for the country slowed down to 7.6% in March 2023 from 8.6% in February 2023, but this latest figure is higher than the 4% print in March 2022. Year-to-date, average inflation stands at 8.3%. After the Monetary Board raised interest rates by 25 basis points to 6.25% in March, the slowdown in Philippine headline inflation is supporting a higher probability that the BSP rate hike will pause in May.

Local yields rose by 14 bps on average in March, mainly driven by higher short-term yields. 10Y BVAL rate was lower by 10 bps to 6.2%. ROP yield curve shifted downward, declining by an average of 34 bps month-on-month in March. 10Y ROP closed the month lower at 4.802%. Likewise, 10Y UST yield fell by 45 bps to 3.47%.

The Philippine Stock Exchange Index (PSEi) was down 0.9% month on month. Optimism brought by the slower inflation print was short lived as contagion fears amid the fallout of Silicon Valley Bank (SVB) and the liquidity crisis of Credit Suisse led investors to sell off positions. The PSEi closed at 6,499.68, translating to a year-to-date decline of 1.0%.

US Markets

The consumer price index eased to 5% in March 2023 on an annual basis, down from 6% in February, according to the U.S. Bureau of Labor Statistics inflation report. Energy and food prices declined in March. Housing prices have proven stubborn, but are expected to start falling in coming months, economists said. Inflation for physical goods has largely eased. But that for “services” has been stickier, largely due to dynamics in the labor market. The reduction doesn’t mean prices fell; they’re still rising, just more slowly than a year ago. The U.S. added 236,000 jobs in March, about in line with expectations, with the unemployment rate falling to 3.5% from 3.6% a month earlier.

Banking turmoil is expected to cool the economy and inflation in coming months. The collapse of Silicon Valley Bank, Signature Bank and takeover of Credit Suisse is expected to reduce banks’ willingness to make loans — and those tighter credit conditions are expected to further cool the economy and help tame inflation.

These price data reflect observations at market close on 31 March 2023: S&P500 ends at 4,109.31 was up 3.51% in March, bringing its YTD return to 7.03%. The NASDAQ Composite closed at 12,221.91 to gain 6.8% in March and 17% YTD. For Q1, the NASDAQ-100 (NDX) gained 20.8% marking its best first quarter since 2012. Semiconductors rallied for 2nd best quarterly performance in 22 years. Dow Jones Industrial month-on-month gain was 2.1% closing March at 33,274.15 but was down 0.9% YTD. The Organization of the Petroleum Exporting Countries and allies including Russia, collectively known as OPEC+, announced voluntary production cuts of 1.66 million barrels per day (bpd) from May until the end of 2023. The WSJ Dollar Index fell 1.8% for March, its worst month so far in 2023, and is off 0.3% for 1Q. The dollar has weakened lately as expectations the Fed may slow or pause rate hikes.

US Bank Failures

Depositors rushed to withdraw funds from Silicon Valley Bank (SVB) Friday, March 10, 2023 shortly before the US bank was closed by the California Department of Financial Protection and Innovation, and the Federal Deposit Insurance Corporation (FDIC) was named receiver of the closed bank. On Sunday, March 12, government officials issued a joint press release stating that Secretary of the Treasury Janet L. Yellen “approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors”, meaning both insured and uninsured deposits. Also on March 12, in the wake of the closing of SVB, the New York State Department of Financial Services took possession of Signature Bank. Fear of depositors over these two banks ultimately led to what we define as a bank run. For a brief article on the collapse of these banks, click [here](#).

VUL Funds Update

The Peso and Dollar Systematic Global Sustainable Income Fund (GSIF) declared its third unit income distribution at 5.97% p.a. and 5.89% p.a. respectively. Inlife’s local equity funds continues to outperform the slightly negative year-to-date performance of the PSEi (InLife Equity Fund 0.37% vs PSEi -1.02% YTD). The Global Technology Fund and Dollar Opportunity Fund year-to-date performance of 12.42% and 8.76 % respectively. The Peso and Dollar Global Multi-Asset Income-Paying Fund distributed 6.73% p.a. and 6.69% p.a. respectively in unit income for the month of March 2023.

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

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