

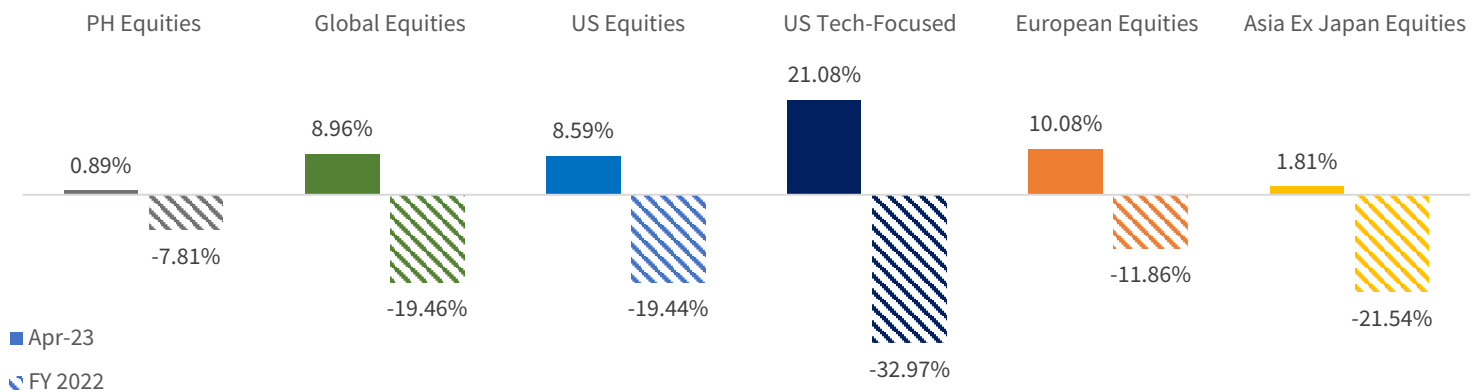


Trendspotting

First Half of 2023

Market performance for the first quarter of 2023 took a surprise upturn. This was driven by business and consumer optimism combined with lowering oil and energy prices, as well as generally easing inflation. The re-opening of major economies in 2022 has also played a key role in the rebound. Headwinds remained in the form of geopolitical tensions as the war in Ukraine continues. The failure of three American banks triggered a sharp decline in global financial stocks, exacerbating existing tight financial conditions. Fortunately, the swift response was able to contain these failures from spreading further.

Global Index Performance (April 30 2023 vs FY 2022)



Highlights



Economic Activity

GDP Growth

GDP figures for the whole of 2022 were released during the first quarter. Global economic activity ended the year on a relatively good note, injecting positive sentiment into markets to start 2023.

2022 Full Year GDP Growth:

1. Global 3.4%
2. United States 2.1%
3. Eurozone 3.5%
4. Emerging Asia 4.4%
5. Philippines 7.6%



The Philippines took advantage of the recovery as GDP surprised on the upside supported by improved labor market conditions and re-openings.

Manufacturing PMI (Purchasing Managers Index)

This can be a useful indicator of the health of an economy by gauging the optimism of various companies towards the market. The figures below show business activity picking up from last year, but also having slowed down a bit from its pace to the start of 2023.

April 2023 Manufacturing PMI:

1. Global: Remains at 49.6, same as in March (8th straight month below 50)
2. United States: Increased to 50.2 from 49.2 in March (above 50 after six months, 4th straight increase)
3. Eurozone: Down to 45.8 (10th straight decline)
4. China: Decreased to 49.5 from March's neutral 50
5. Philippines: Above 50 for 15th straight month at 51.4



INFLATION

The downtrend in inflation that we started to see towards the end of 2022 has continued to start the year. Inflation continued to relax, driven by lower energy prices and easing global supply chain issues.

April 2023 Inflation:

1. US: Decreased to 4.9% from 5.0% in March (first time below 5.0% in two years)
2. Eurozone: Slightly up at 7.0% vs 6.9% in March (March saw the biggest decline in inflation recorded by ECB).
3. China: Remained steady at a 19-month low of 0.7%
4. Philippines: Decreased further to 6.6% in April after March's own large drop. Decrease in food prices led to a new 8 month low.



MONETARY POLICY

Due to recent inflation figures improving on last year's, global central banks' policies have not been as aggressive. However, it's still important to note the continued hiking, albeit at smaller, less frequent increments so far.

2023 Monetary Policy Decisions:

1. US Fed hiked 3 times for a total of 750 bps (current rate 5.00% to 5.25%)
2. European Central Bank hiked 2 times for a total of 125 bps (current rate 3.25%, was at -0.50% last July)
3. People's Bank of China has kept lending rates steady for 9 straight months (current rate: 3.65%)
4. Bangko Sentral ng Pilipinas hiked 2 times for a total of 75 bps (current rate: 6.25%, kept steady in May meeting)

Outlook

We continue to monitor these major factors that have affected the world throughout 2022 as they spillover into this year:

- Persistently high inflation across the globe
- Food and energy price spikes and cost of living crises
- Geopolitical events (*i.e. Ukraine War*) that have contributed to inflation and hampered supply chains and trade
- Tight debt environments as a result of central banks' strict monetary stances to combat inflation

More than a year after Russia's invasion of Ukraine and the outbreak of more contagious but less deadly covid variants many economies are still absorbing the shocks. The recent tightening in global financial conditions due to global banking failures also hinders the recovery. As a result, many economies may experience slower growth in 2023 amid rising joblessness. Easing inflation however, could spell good news for markets as this would call for looser monetary policy which should aid economic activity.



ECONOMIC ACTIVITY

The baseline forecast by the International Monetary Fund (IMF) sees global growth slowing from 3.4% in 2022 to 2.8% this year. Developed markets are expected to have a more pronounced growth slowdown as tight labor markets remain and as emerging markets benefit more from economic re-openings.

2023 Full-year GDP Growth Forecast (IMF):

1. Global: 2.8%
2. United States: 1.6%
3. Eurozone: 0.8%
4. Emerging Asia: 5.3%
5. Philippines: 6.0% (ADB)

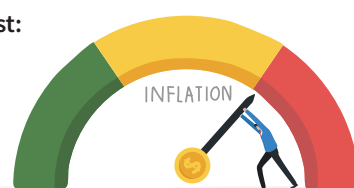


INFLATION & MONETARY POLICY

Due to the recent inflation downtrend, the Federal Reserve System (FED) has leeway to cut rates later in the year, which would be especially helpful if we see a sharp slowdown in the economy. The hope is for a slower pace of hikes if not a reversal in monetary policy this year, likely during the second half.

2023 Full-year Inflation Forecast:

1. United States: 4.5%
2. Eurozone: 5.3%
3. Emerging Asia: 3.4%
4. Philippines: 6.2% (ADB)



Our recommendations

Asset allocation:

Continue to refer to your Client Risk Rating according to the Client Sustainability Assessment as a guide when making portfolio decisions. For Peso and Dollar investors, we recommend the following model portfolios for each risk rating, taking advantage of both global and domestic funds:

PHP Investor		Client Risk Rating				
Asset type	Market	Cautious	Conservative	Balanced	Growth-Oriented	Aggressive
FIXED INCOME	Wealth Bond	60%	50%	20%	10%	—
	Peso GDAF Stable	20%	10%	—	—	—
	Total Fixed Income	80%	60%	20%	10%	0%
EQUITIES	Wealth Equity	10%	10%	20%	20%	—
	Chinese Tycoon	—	—	10%	—	—
	Peso GAF	10%	30%	50%	70%	100%
	Total Equities	20%	40%	80%	90%	100%

USD Investor		Client Risk Rating				
Asset type	Market	Cautious	Conservative	Balanced	Growth-Oriented	Aggressive
FIXED INCOME	Premium Bond	50%	60%	40%	20%	—
	GDAF Stable	40%	—	—	—	—
	Total Fixed Income	90%	60%	40%	20%	0%
EQUITIES	Global Advantage	10%	30%	40%	55%	100%
	Asia Growth	—	10%	20%	25%	—
	Total Equities	10%	40%	60%	80%	100%

Call your AXA financial partner for a more in depth discussion on how you can apply these recommendations.

Sources of information and data:

Bloomberg data (Global index performance)

[https://www.imf.org/en/Publications/WEO/\(2022 GDP Growth, Q1 Inflation, GDP/Inflation\)](https://www.imf.org/en/Publications/WEO/(2022%20GDP%20Growth,%20Q1%20Inflation,%20GDP/Inflation))

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