

Gold retreats from record peak on US Fed rate cuts

GOLD fell more than 2% after hitting an all-time high on Monday, but zero-yield bullion's retreat halted above \$2,000 an ounce after traders trimmed bets for the first rate cut by the US Federal Reserve in early 2024.

Spot gold slipped 2.1% to \$2,026.69 per ounce by 2:31 p.m. ET (1931 GMT). Prices swung in a wide \$115 range but were finally headed for their worst day since February. US gold futures settled down 2.3% at \$2,042.20.

Early in the Asian session, gold hit a fresh record high of \$2,135.40 on growing confidence about a rate cut following Fed Chair Jerome Powell's comments on Friday.

"Despite the fact that we are closer to a Federal Reserve pivot, it may be premature to see these prices being sustained... this market is getting a little tired," said Bart Melek, head of commodity strategies at TD Securities.

The Fed appears on track to end the year with interest rate hikes as a thing of the past, but with a coming challenge over when and how to signal a turn to rate cuts.

Pressuring gold, the dollar index rose 0.5%, making bullion more expensive for other currency holders. US 10-year Treasury yields also ticked higher.

Traders saw a 57% chance for a rate cut by March, down from 63% on Friday, CME's FedWatch tool showed. Lower rates reduce the opportunity cost of holding bullion.

Data last week pointed out to cooling inflationary pressures and a gradually easing labor market reinforcing the notion of an early rate cut.

Traders are awaiting Friday's release of US nonfarm payrolls data, which could help further gauge the interest rate outlook.

Silver slipped 3.6% to \$24.50 per ounce, set for its worst day in two months after hitting a seven-month peak earlier in the session.

Palladium fell 1.7% to \$917.31, and platinum dipped 2.8% to \$972.67. - Reuters

SPOT PRICES

MONDAY, DECEMBER 4, 2023

METAL

Table with 2 columns: Metal Name and Price. Includes PALLADIUM free \$/troy oz (977.76), PLATINUM free \$/troy oz (928.33), etc.

GRAINS (November 30, 2023)

Table with 2 columns: Grain Name and Price. Includes FRAGRANT (100%) 1st Class \$/ton (872.00), RICE (5%) White Thai \$/ton (640.00), etc.

FOOD

Table with 2 columns: Food Item and Price. Includes COCOA ICCO Dly (SDR/mt) (3,175.66), COFFEE ICA comp '2001 cts/lb (169.76), etc.

LIFFE COFFEE

Table with 4 columns: Month, High, Low, Sett, Psett. Shows coffee prices for Jan, Mar, May, July.

LIFFE COCOA

Table with 4 columns: Month, High, Low, Sett, Psett. Shows cocoa prices for Dec, Mar, May, July.

COCONUT

Table with 2 columns: Coconut Type and Price. Includes MANILA COPRA (based on 6% moisture), PHILIPPINE COCONUT OIL - Crude, etc.

LONDON METAL EXCHANGE

Table with 2 columns: Metal and Price. Includes ALUMINUM H.G. (2,182.00), COPPER (8,443.00), etc.

Crude oil prices fall on doubts OPEC+ will make further cuts

HOUSTON — Crude oil prices fell on Monday on concern about a drop in demand and on continued uncertainty about the depth and duration of OPEC+ supply cuts.

Brent crude futures settled down 85 cents or 1.08% at \$78.03 a barrel. US West Texas Intermediate (WTI) crude futures finished down \$1.03 or 1.39% at \$73.04.

Monday's fall adds to a 2% decline last week after the supply cuts announced on Thursday by the Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia, together known as OPEC+.

"The market has decided (OPEC+ production plans) are not going to have that much of an impact. It's more style over substance," said Andrew Lipow, president of Lipow Oil Associates, said about crude traders on Monday.

Saudi Arabia's energy minister Prince Abdulaziz bin Salman

ASIA-DUBAI (DECEMBER CONTRACT)

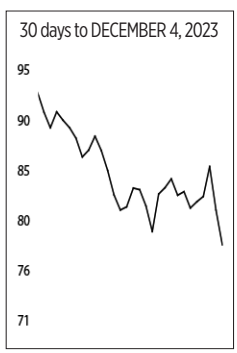


Table with 7 columns: Date and Price (\$/bbl). Shows daily price movements for Asia-Dubai.

NEW YORK-WTI (JANUARY CONTRACT)

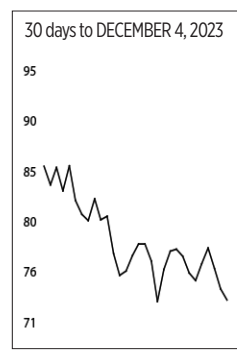


Table with 7 columns: Date and Price (\$/bbl). Shows daily price movements for New York-WTI.

LONDON-BRENT (FEBRUARY CONTRACT)

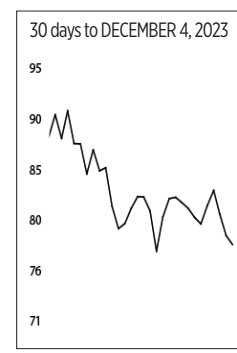


Table with 7 columns: Date and Price (\$/bbl). Shows daily price movements for London-Brent.

said in a televised interview with Bloomberg on Monday that he expected OPEC and its allies to bring about the 2.2 million in crude oil production cuts announced last week.

OPEC+ last week announced production cuts that are voluntary in nature, raising doubts about whether or not producers would fully implement them. Investors were also unsure

US stocks end down as mega-caps give back gains

US STOCKS ended lower on Monday, interrupting last week's rally, as investors turned cautious ahead of employment data due this week that could alter expectations that the US Federal Reserve will cut interest rates early next year.

The S&P 500 receded, with mega-caps Microsoft, Apple, Nvidia, and Amazon dipping over 1%, pressured by higher US Treasury yields, which made returns on stocks less attractive.

The S&P 500 registered its highest close of the year on Friday as remarks from Fed Chair Jerome Powell acknowledged the central bank's need to "move forward carefully" amid signs of economic softening, comments that bolstered expectations the Fed has finished raising rates.

Small-cap stocks rose on Monday, with the Russell 2000 rally-

ing about 1% and bringing its gain this year to almost 7%.

"There is a lot of chop around here that is not necessarily meaningful," said Tom Martin, a senior portfolio manager at GLOBALT Investments in Atlanta.

"We have a really important Fed meeting coming up, and what makes it important is that all of a sudden, the market has decided that they're going to cut early next year."

The S&P 500 declined 0.54% to end the session at 4,569.78 points. The Nasdaq declined 0.84% to 14,185.49 points, while Dow Jones Industrial Average declined 0.11% to 36,204.44 points.

Volume on US exchanges was relatively heavy, with 12.7-billion shares traded, compared to an average of 10.6-billion shares over the previous 20 sessions.

announcement on Friday it will join the S&P 500 effective Dec. 18.

Shares of Alaska Air Group tumbled 14% after the carrier said on Sunday it would acquire peer Hawaiian Holdings for \$1.9 billion, including debt. Hawaiian's shares nearly tripled in value, helping lift the Russell index.

This week's main macroeconomic focus will be Friday's jobs report for November, which may help investors gauge the Fed's likely interest rate path, as well as the potential for a "soft landing" — where the Fed manages to bring inflation under control while averting a recession.

Traders widely expect the central bank will keep rates unchanged at its meeting next week. Interest rate futures suggest a 58% probability the Fed will start cutting rates by March 2024, according to the CME Group's FedWatch tool.

about how the cuts would be measured.

Traders over the past five months have waited to see if cuts in production as well as predicted changes in demand would come to fruition, said Zane Curry, vice-president of markets and research for Mobius Risk Group.

"We've become Missouri, the Show-Me state," Mr. Curry said. Surveys on Friday showed global manufacturing activity remained weak in November on soft demand, with euro zone factory activity contracting, while there were mixed signs on the strength of China's economy.

"The OPEC+ 'deal' last week was unconvincing to say the least," said Craig Erlam, analyst at brokerage OANDA. "And with markets seemingly anticipating more of an economic slowdown next year, the announcement simply doesn't go far enough." - Reuters

Inflation, from SI/1

On the other hand, higher year-on-year growth rates were observed in the indices of rice (15.8% from 13.2%), and milk, other dairy products and eggs (7.6% from 7.5%).

The average price of regular milled rice last month went up to P46.73 per kilo from P45.42 per kilo in October. The average price of well-milled rice also rose to P51.99 per kilo in November from an average of P51 per kilo a month earlier.

The slowdown in November inflation is also attributed to the 0.8% decrease in the transport index from the 1% growth a month ago. The restaurants and accommodation services index also slowed to 5.6% in November from 6.3% in the previous month.

In November alone, oil companies cut pump prices by P1.90 a liter for gasoline, P4.45 a liter for diesel, and P3.3 a liter for kerosene, data from the Energy department showed.

Meanwhile, inflation in the National Capital Region slowed to 4.2% in November from 4.9% in October, while inflation in areas outside Metro Manila eased to 4.1% from 4.9% in the prior month.

The November inflation rate for the bottom 30% of income households slowed to 4.9% from 5.3% in October and 9.2% last year. The 10-month average stood at 6.9%.

The National Economic and Development Authority (NEDA) in a statement said the slower November inflation can be attributed to the timely implementation of measures to stabilize food supply amid domestic and external headwinds.

"With the right interventions in place, including the proper and timely deployment of trade policy, we are confident that we can effectively manage inflation and prevent unnecessary upticks in prices of goods and commodities to safeguard the purchasing power of Filipino families, especially those from the most vulnerable sectors," NEDA Secretary Arsenio M. Balisacan said.

'SUFFICIENTLY TIGHT'

Meanwhile, the Bangko Sentral ng Pilipinas (BSP) said it needs to "keep monetary policy settings sufficiently tight until a sustained downtrend in inflation becomes evident."

"The latest inflation return is consistent with the BSP's projections that inflation will likely moderate over the near term due to easing supply-side price pressures and negative base effects," it said in a statement.

The BSP said the balance of risks to the inflation outlook "still leans significantly towards the upside."

"Key upside risks are associated with the potential impact of higher transport charges, electricity rates, and international oil prices, as well as higher-than-expected minimum wage adjustments in areas outside the National Capital Region," it said.

A weaker-than-expected global recovery and government measures to mitigate the impact of El Niño could further reduce inflation.

The BSP sees inflation averaging at 6% in 2023 and 3.7% in 2024, before falling further to 3.2% in 2025.

"The BSP will continue to monitor inflation expectations and second-round effects and take appropriate action as needed to bring inflation back to the target, in keeping with the BSP's price stability mandate," it said.

Last month, the BSP kept its target reverse repurchase rate at a 16-year high of 6.5%. The BSP raised borrowing costs by a total of 450 basis points (bps) from May 2022 to October 2023 to tame inflation.

Bank of the Philippine Islands (BPI) Lead Economist Emilio S. Neri, Jr. said it is possible for inflation to fall below 4% in December and may even reach 3% in the first quarter of 2024 in the absence of supply shocks.

However, Mr. Neri said inflation could rebound to 4% or higher in the second quarter, especially if the effect of El Niño is worse than expected, Mr. Neri said.

"Rice prices are likely to remain the primary factor contributing to inflation in the near future. Local

supply continues to be at a level where rice inflation is usually double digit... The price of rice may stay high as long as supply stays at this level," he said.

Globally, rice supply remains a concern due to a decline in production in major exporting countries like India. The Philippines imports around 15% of its rice requirement every year.

Mr. Neri said BPI sees inflation averaging at 6% this year, before easing to 3.7% in 2024.

"It might be premature to expect rate cuts in the near future despite the improving outlook for inflation. The BSP might need to keep interest rates elevated for most of next year especially given the possibility of an inflation rebound in the second quarter of 2024," he said.

HSBC economist for ASEAN Aris Dacanay said the consistent inflation downtrend should give the BSP room to pause at the Dec. 14 Monetary Board meeting, but rate cuts are still not on the table as there are many upside risks to inflation.

"That said, we continue to expect the BSP to stay pat for longer based on inflation — more so with the need to mind the gap between the Fed and the BSP policy rates to help support the peso," he said.

The US central bank kept borrowing costs unchanged at 5.25-5.5% for the second straight month in November. This was after it hiked policy rates by 525 bps from March 2022 to July 2023.

Following the release of the November inflation data, the peso closed at P55.32 per dollar on Tuesday, strengthening by two centavos from its P55.34 finish on Monday.

This was the peso's strongest close since its P55.19 per dollar finish on Aug. 2.

"We only expect the BSP to begin its easing cycle right after the Fed does its first rate cut. Our baseline view is for the Fed to do its first policy rate cut in the third quarter of 2024," Mr. Dacanay added.



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Balance Sheet as of September 30, 2023. Assets: Total Assets 1,022,630,235.09. Liabilities: Total Liabilities 174,497,676.99. Stockholder's Equity: Total Stockholder's Equity 848,132,558.10.

We, Macaria Trinidad F. Gaspar and Jones Mark L. Chan of the above mentioned trust corporation, do solemnly swear that all matters set forth in the Balance Sheet are true and correct to the best of our knowledge and belief.

Macaria Trinidad F. Gaspar (SGD) President and CEO; Jones Mark L. Chan (SGD) Treasurer and Head of Finance

Subscribed and Sworn to before me this December 4, 2023, affiants exhibiting to me their Driver's License No. X0110-003632 issued on 07.28.2023 and Driver's License No. N02-95-288871 issued on 12.27.2021

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