December 2021

# DOLLAR BOND FUND

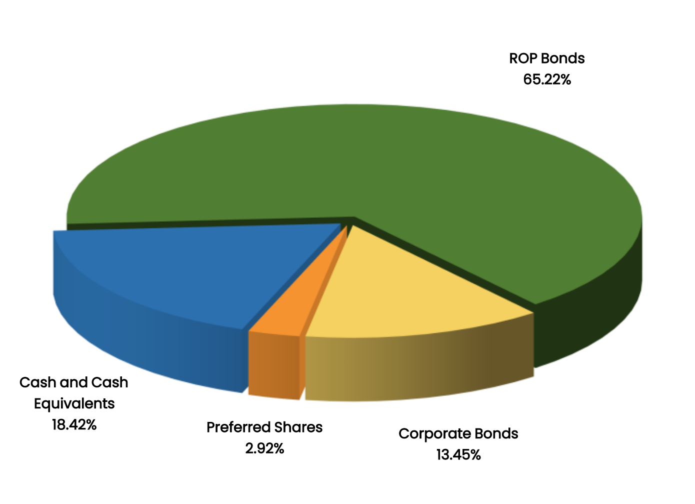
## INVESTMENT OBJECTIVE

The Dollar Bond Fund seeks to generate regular interest income, consistent with its policy to preserve capital and to maintain liquidity of its investments. The fund shall be invested primarily in dollar-denominated fixed-income instruments ranging from debentures, money market instruments and government securities.

## KEY FIGURES

| | | | |
|---|---|---|---|
| **NAVPU as of December 31, 2021** | **1.5571** | **Domicile** | Republic of the Philippines |
| **Inception Date** | December 2006 | **Fund Currency** | US Dollar |
| **Fund Classification** | Bond Fund | | |

## PORTFOLIO COMPOSITION




## HISTORICAL PERFORMANCE

| | Annual Return | Cumulative Return |
|---|---|---|
| **One-year** | **-1.72%** | **-1.72%** |
| **Three-year** | **1.92%** | **5.88%** |
| **Five-year** | **1.34%** | **6.88%** |

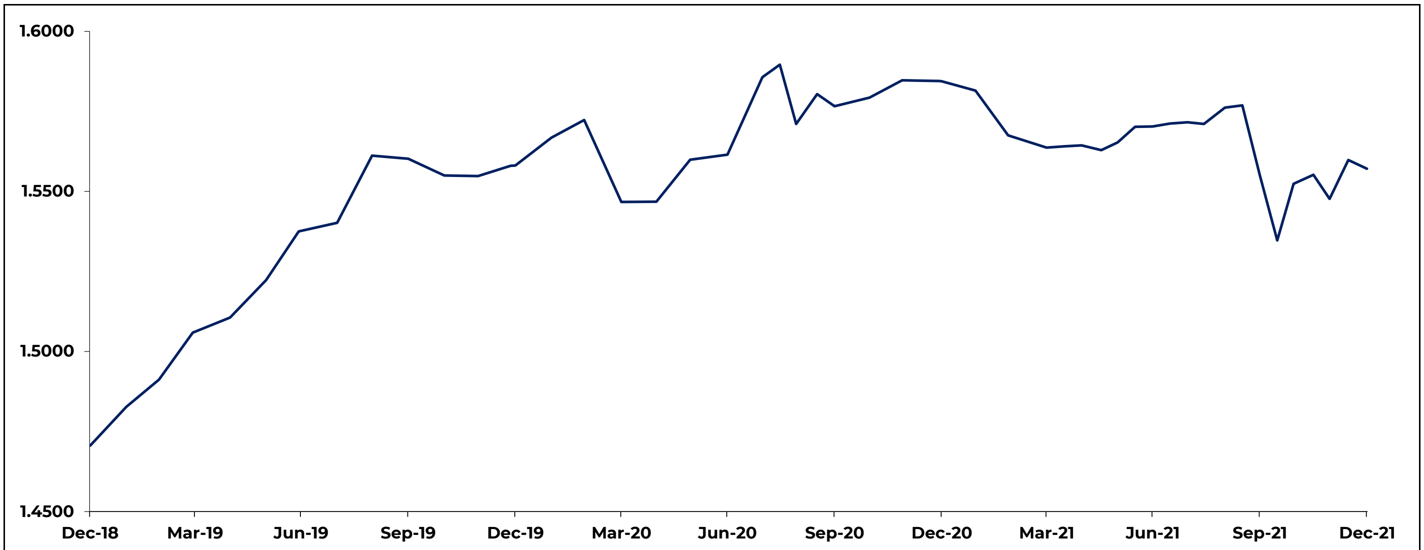
## MARKET RECAP AND OUTLOOK

For the month of December, the prices of Philippine sovereign US-dollar denominated bond (ROP bond) narrowly climbed by 0.77% from the previous month's prices. Traders were persistently indifferent in making aggressive plays amidst the resurfacing COVID-19 threat to the economy. Sentiments were cautious while market participants look out for fresh remarks from the Federal Reserve following its decision to end bond-purchases at a much faster pace. The scenario laid out by the central bank in its new policy statement envisions the recurring pandemic menace would affect the economy moderately, alongside current inflation easing on its own and the unemployment rate reaching a low 3.5% level for three years. Officials projected the Fed's benchmark overnight interest rate would need to rise from its current near-zero level to 0.90% by the end of 2022 to tolerate a stable financial system.

On a year-to-date basis, ROP bonds' prices were down by 6.07% from end-2020 levels. Such mindset may stem from the debatable resolve of many major central banks, which signaled to raise interest rates and/or tapered their pandemic stimulus programs alongside the new COVID-19 strain that threatens to affect economic activity once more. With the emergence of the Omicron variant across large parts of the globe, hopes of improving economic situation has been clouded anew and fueled flimsy attitude among players. For instance, the Bank of England raised its main interest rate to 0.25% from its historic low of 0.1% in the face of persistent inflation pressures and a tightening labor market, defying market expectations for it to wait until the new year before kickstarting its hiking cycle. Meanwhile, the European Central Bank took a step in rolling back its crisis-era stimulus, by unveiling plan to terminate its emergency bond-buying program by March but temporarily double the pace of its longer-running Asset Purchase Program to ease the transition. After a two-day policy-setting meeting, the Bank of Japan also resolved to reduce its asset bond-buying until September to support small and midsize firms facing more difficult funding conditions.

As the year commences, the dollar bond market starts with slight bumps coming from the cautious appetite of most traders whilst the Omicron threat. We expect quiet trading to linger while the market anticipates fresh remarks from central banks across the globe and movements in the world economy. As ROP bonds substantially track US Treasuries, a key highlight to look out for the month would be the January Federal Open Market Committee (FOMC) meeting which can reflect the Fed's stance towards hiking interest rates in the future. However, market participants may still monitor new US data reports, particularly the inflation and jobs data as means to refute sentiments over COVID-19 impact. Aside from the Fed, traders may also observe the Bank of Japan which will also conduct its first Monetary Policy meeting on January 15 and is still expected to maintain its dovish stance albeit recent convergence of most banks to raise interest rates this 2022.

## FUND PERFORMANCE



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