

Local

- The local equities market traded flat with a slight upward bias due to improving sentiment from foreign buyers. The PSE index increased by 42 points or 0.54%, closing at 7,719.24. Industrials, Holding Firms, Mining and Oil, and Property sectors were up while Financial and Service sectors were down. Market breadth continued to be marginally positive with 91 advances and 85 declines while 66 were unchanged. Total value turnover was Php 7.07 billion. Foreigners were net buyers again at Php 0.20 billion.
- Department of Trade and Industry (DTI) Secretary Ramon M. Lopez said in his speech during the EU-Philippines Business Summit that they will prioritize the agricultural sector in its negotiations for a free trade agreement (FTA) with the European Union (EU). He noted that the agriculture sector could benefit from an FTA since it could “have significant impact reducing poverty and achieving sustainable growth.” Similarly, EU delegation Franz Jessen expressed the Union’s optimism over negotiations because the 14% two-way trade with the Philippines would increase because of the FTA.
- Aboitiz Power Corporation (PSE Ticker: AP) stated that its subsidiary, Therma Power, Inc., has secured an agreement in the percentage of ownership retained by investment funds from Blackstone Group L.P with regards to the two coal-fired power plants located in Bataan for \$1.2 billion. Also, Therma Power is taking hold of 100% partnership interests from World Power Holdings, L.P., World Power Holdings GP, Ltd., Sithe Global Power, L.P. and Sithe Global Power GP, Ltd. The company provided that the agreement will be funded through loan and internally generated cash.
- In the local fixed income space, prices of government securities rose as yields fell by an average of 3.46 bps. Investor uncertainty over the stability of the European Banking System and the Chinese growth story has led to a steepening of the curve as the short-end and the belly fell by 3.6 bps and 5.5 bps, respectively, while the long-end rose by 0.2 bps.
- The Peso weakened against the Dollar as positive data on U.S. factory activity increases the prospects of a macroeconomic recovery and the likelihood of a FED rate hike. The USDPHP rose by 0.065 centavos or 0.13%, closing at 48.245.

US and Europe

- Due to the increased market odds of a 2016 Fed rate hike amounting to more than 60%, U.S. stocks further nursed losses amid selling of government bond markets in the Atlantic. This was sparked by the concerns over easing in monetary stimulus from the European Central Bank and IMF’s lowered growth forecast and also due to the sinking of gold prices to their lowest level since the Brexit vote. The Dow Jones Industrial Average retreated by 0.47% to 18,168.45. The S&P 500 dropped by 0.5% to 2,150.49. Losses in utilities (-2.2%), telecoms (-1.7%) and REITs (-1.6%) took the biggest hits. Financials (+0.3%) closed alone in positive territory.
- Richmond Federal Reserve President Jeffrey Lacker stated that economic history, such as the strategy of the 1994 increase of the interest rates before inflation spikes, suggests that the fed funds rate should be about 1.5 percentage points higher than its current level given the current rate of joblessness and inflation because it would play a vital role in stabilizing inflation. It can also avoid hard-to-predict emergence of a situation that requires more drastic action after the fact.
- Treasuries swooned because of worried investors spooked by new corporate debt supply, the health of Deutsche Bank, and the less-accommodative liquidity provisions from major central banks but mainly due to the increased likelihood of the 2016 Fed rate hike. According to the European Central Bank report, they will begin to slow the pace of bond buys ahead of its planned conclusion next March. The two-year note yield rose 3bps to 0.822%. The 10-year bond yield is leaping 6.3bps to 1.686%.
- European stocks up again for the sixth consecutive day as concerns about Deutsche Bank continue to decline and positive sentiment on U.K. stocks materializes on the back of a falling pound improve investors’ appetite for risk. Deutsche Bank gained 1.5% after HSBC declares that fears over Deutsche Bank’s insolvency were overdone. FTSEurofirst 300 Index rose by 0.88% to 1,362.59.
- The US Dollar traded flat with a slight upward bias relative to the Euro yesterday as odds of a December Fed rate hike increased to more than 60% driven by fresh concerns of potential easing in monetary stimulus from the European Central bank, resulting in broad selling in government bond markets. The EUR/USD pair fell by 0.59% to close yesterday’s trading at the 1.1174 level.

Asia Pacific

- Asian markets closed higher across the board on Tuesday, with Japanese equities leading the region as solid U.S. manufacturing data weakened the yen against the dollar, driving positive sentiment towards Japanese export-oriented companies. The main index was marginally unchanged at 140.57, while gainers were led by the Thai market (+1.26%).

Key Indicators

EQUITIES BENCHMARK INDICES	4-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,719.24	0.54%	2.14%	-1.13%	11.03%
MSCI World USD Index	1,717.82	-0.29%	-0.12%	-0.97%	3.31%
MSCI All Country Asia Pacific ex-Japan Total Returns	398.49	0.89%	0.19%	2.52%	13.28%
MSCI Europe USD Index	1,485.69	0.35%	1.56%	-1.13%	-2.43%
FTSEurofirst 300 Index	1,362.59	0.88%	1.75%	-1.19%	-5.21%
Dow Jones Industrial Average Index	18,168.45	-0.47%	-0.33%	-1.75%	4.27%
Standard & Poor's 500 Index	2,150.49	-0.50%	-0.44%	-1.35%	5.21%
YIELDS AND PRICES	4-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.4107	0.21%	0.14%	0.16%	-1.26%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.4194	-0.18%	-0.27%	-0.79%	-0.95%
ROP2021 (Price)	108.392	(0.03)	(0.12)	(1.14)	0.03
ROP2034 (Price)	144.682	(0.50)	(0.14)	(1.68)	14.21
3-Month US Treasury Yield	0.3205	0.02%	0.07%	0.00%	0.16%
2-year US Treasury Yield	0.8215	0.03%	0.08%	0.04%	-0.23%
10-year US Treasury Yield	1.6864	0.06%	0.13%	0.08%	-0.58%
30-year US Treasury Yield	2.4098	0.07%	0.13%	0.13%	-0.61%
3-Month German Treasury Bill Yield	-0.803	0.00%	-0.06%	-0.00%	-0.26%
Dubai Crude Oil Spot (\$/bbl)	47.60	-0.34%	10.77%	12.98%	48.15%
1-month Nymex oil futures (\$/bbl)	48.69	-0.25%	9.00%	9.56%	31.45%
Gold Spot (\$/oz)	1,268.53	-3.37%	-4.43%	-4.27%	19.51%
USD/PHP (PDEX close)	48.245	0.06	0.07	1.63	1.19

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets						
Last Trade as of		October 4, 2016				
Country	Index	Value	DoD Change	% Change		
Asia Pacific	MSCI AC Asia Pacific Index	140.57	+	0.01	+	0.01
Australia	S&P/ASX 200 Index	5,484.00	+	5.49	+	0.10
China	Shanghai SE Comp Index	3,004.70		0.00		0.00
Hong Kong	Hang Seng Index	23,689.44	+	105.01	+	0.45
India	SENSEX	28,334.55	+	91.26	+	0.32
Indonesia	Jakarta Composite Index	5,472.32	+	8.40	+	0.15
Japan	Nikkei 225	16,735.65	+	136.98	+	0.83
Malaysia	KLCI	1,661.25	+	8.70	+	0.53
New Zealand	NZX 50 Index	7,352.46	-	20.03	-	0.27
Singapore	Straits Times Index	2,884.64	+	13.80	+	0.48
South Korea	KOSPI	2,054.86	+	11.23	+	0.55
Taiwan	TWSE	9,287.77	+	53.57	+	0.58
Thailand	SET Index	1,509.78	+	18.84	+	1.26

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)									
	4-Oct-16	3-Oct-16	Difference			4-Oct-16	3-Oct-16	Difference	
1 month	1.3917	1.4554	-	0.064	4 year	2.9049	3.2946	-	0.390
3 month	1.4107	1.1995	+	0.211	5 year	3.7661	3.6777	+	0.088
6 month	1.2792	1.3903	-	0.111	7 year	3.4647	3.4327	+	0.032
1 year	1.4194	1.6000	-	0.181	10 year	3.6335	3.6341	-	0.001
2 year	2.2308	2.2540	-	0.023	20 year	4.6625	4.6568	+	0.006
3 year	3.2929	3.2768	+	0.016					

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
10/5/2016	Philippines CPI All items YoY% 2006=100	Sep	10/5/2016	US Durable Goods New Orders Industries MoM SA	Aug F
10/5/2016	Philippines CPI All items MoM% 2006=100	Sep	10/5/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Sep 30
10/7/2016	Philippines Budget Balance Monthly	Aug	10/6/2016	US Initial Jobless Claims SA	Oct 1
10/7/2016	Philippines Gross Intl Reserves	Sep	10/7/2016	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Sep
10/11/2016	Philippines External Balance of Trade	Aug	10/14/2016	US PPI Finished Goods SA MoM%	Sep
10/11/2016	Philippines External Trade Imports YoY	Aug	10/14/2016	US PPI Finished Goods Less Foods & Energy SA MoM%	Sep
10/11/2016	Philippines External Trade Exports	Aug	10/14/2016	US PPI Finished Goods NSA YoY%	Sep
			10/14/2016	US PPI Finished Goods Less Foods & Energy NSA YoY%	Sep
			10/14/2016	University of Michigan Consumer Sentiment Index	Oct P
			10/14/2016	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Sep

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones, The Wall Street Journal, CNBC