

## Local

- The local equities market fell as foreign investors sold off the market and uncertainty regarding U.S. economic data capped risk-taking. The PSE index declined by 112.16 points or 1.45%, closing at 7607.08. Sentiment was broadly negative as all sectors lost ground. Market breadth was negative across the board with 127 declines and 58 advances while 43 were unchanged. Total value turnover was Php 6.49 billion. Foreigners were net sellers at Php 0.32 billion.
- The World Bank sees the Philippines as part of the fastest growing in East Asia and the Pacific within the short-term despite the fact that they warned about being dependent on China's slowing economy. Their estimate for the Philippine economy is an increase of 6.4% for 2016, prior to reaching 6.2% in 2017. They also provided that the country would still take advantage of strong private investment as a result of purchases on durable equipment, due to its improvement since the 4th quarter in the previous year.
- GT Capital Holdings, Inc. (PSE Ticker: GTCAP) will provide capital for both its financial services and infrastructure sectors from strategic acquisitions as the company seeks to provide the funds needed through a Php12 billion offering. Chief Financial Officer Francisco H. Suarez provided that billionaire George S.K. Ty is still in discussions with regards to the acquisitions in the financial services and infrastructure sectors. GTCAP aims to issue 8 million perpetual preferred shares in a primary offering at a price of Php1000 each while the other 4 million shares would be for an oversubscription option.
- In the local fixed income space, prices of government securities fell as yields rose by an average of 1.22 bps. Investors continued flight to safety as equities were sold in favor of short-duration government bonds, leading to the short-end of the curve falling by 6.9 bps while the belly and the long-end gaining by 8 bps and 0.7 bps, respectively.
- The Peso was flat with a slight downward bias against the U.S. Dollar as the likelihood of a FED rate hike increased on the back of stronger economic data. The USD / PHP rose by 0.04 centavos or 0.08%, closing at 48.285.

## US and Europe

- Wall Street ended higher yesterday, tracking the rally in crude oil prices which held above USD 50 per barrel for a third trading day. Also, the US posted service sector expansion in September with the ISM non-manufacturing activity index leaping to 57.1, versus consensus of 53.0 and August multi-year low of 51.9. The Dow Jones, S&P 500 and Nasdaq gained 112.58 points (+0.60%, Dod), 9.24 points (+0.40%, Dod) and 26.36 points (+0.50%, Dod), respectively, to close the day's trading at 18,281, 2,160 and 5,316.
- In addition to the robust US service sector expansion recorded in September (ISM non-manuf index 57.1), US private payrolls continued to climb, logging 154,000 jobs in September according to ADP and Moody's Analytics. Also, factory orders surprised to the upside for August, growing 0.20% instead of declining -0.20%, as was expected, owing to core capital goods and inventory growth of 0.9% and 0.2%, respectively. The July factory orders were downgraded to 1.4% (vs. 1.9%).
- US Treasury prices continued to slide with the two-year note yield trading at its highest level since June post the robust ISM service sector expansion report. The report served to bolster the view that the Federal Reserve will finally raise the fed funds rate before 2016 is out, as had been anticipated throughout the year. The 2-year note yield gained 1.6bps to 0.838% while the 10-year yield rose 2.4bps to 1.711%.
- European stocks were down as investor sentiment turned negative over news that the European Central Bank (ECB) may slow down the rate of bond purchases before the program ends in March 2017. On the other hand, more positive news for Deutsche Bank (+2.8% DoD) after Moody's noted that it had a 'stable outlook' on the German banking system, citing solid operating conditions. FTSE 100 (United Kingdom), CAC 40 (France), and DAX (Germany) were down 0.58%, 0.38%, and 0.32% DoD, respectively. FTSEEurofirst 300 index was down 0.74%, closing at 1,352.48.
- The US dollar traded flat with a slight downward bias relative to the Euro as a potential slowdown in the ECB bond purchases spiked yields in the bond market and put pressure on the dollar. The EUR/USD pair fell by 0.02 cents (-0.02%) to close yesterday's trading at 1.1206.

## Asia Pacific

- Asian markets were mixed on Wednesday as investor concerns over a U.S. Fed hike by year end resurfaced. Australia, Taiwan, Singapore, Indonesia, India, and Philippine markets were down. Meanwhile, Thailand, Malaysia, Japan, and Hong Kong markets were down. The China markets remained closed due to National Holiday.

## Key Indicators

EQUITIES BENCHMARK INDICES	5-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,639.79	-1.03%	0.70%	-1.60%	9.89%
MSCI World USD Index	1,721.14	0.19%	-0.26%	-0.94%	3.51%
MSCI All Country Asia Pacific ex-Japan Total Returns	399.85	0.34%	0.58%	1.38%	13.66%
MSCI Europe USD Index	1,483.59	-0.14%	0.79%	-1.16%	-2.56%
FTSEurofirst 300 Index	1,356.31	-0.46%	0.59%	-1.72%	-5.65%
Dow Jones Industrial Average Index	18,281.03	0.62%	-0.32%	-1.14%	4.91%
Standard & Poor's 500 Index	2,159.73	0.43%	-0.54%	-0.93%	5.67%
YIELDS AND PRICES	5-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.1398	-0.27%	-0.12%	-0.11%	-1.53%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.3737	-0.05%	-0.27%	-1.18%	-1.00%
ROP2021 (Price)	108.316	(0.08)	(0.18)	(1.17)	(0.04)
ROP2034 (Price)	143.915	(0.77)	(1.50)	(2.53)	13.45
3-Month US Treasury Yield	0.3205	0.00%	0.05%	0.00%	0.16%
2-year US Treasury Yield	0.8316	0.01%	0.08%	0.05%	-0.22%
10-year US Treasury Yield	1.7021	0.02%	0.13%	0.10%	-0.57%
30-year US Treasury Yield	2.4234	0.01%	0.13%	0.15%	-0.59%
3-Month German Treasury Bill Yield	-0.802	0.00%	-0.04%	-0.00%	-0.26%
Dubai Crude Oil Spot (\$/bbl)	48.96	2.86%	14.02%	7.39%	52.38%
1-month Nymex oil futures (\$/bbl)	49.83	2.34%	5.91%	12.13%	34.53%
Gold Spot (\$/oz)	1,266.80	-0.14%	-4.14%	-4.57%	19.35%
USD/PHP (PDEX close)	48.285	0.04	0.03	1.76	1.22

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		October 5, 2016			
Country	Index	Value	DoD Change	%Change	
Asia Pacific	MSCI AC Asia Pacific Index	140.30	-	0.27	0.19
Australia	S&P/ASX 200 Index	5,452.93	-	31.08	0.57
China	Shanghai SE Comp Index	3,004.70		0.00	0.00
Hong Kong	Hang Seng Index	23,788.31	+	98.87	0.42
India	SENSEX	28,220.98	-	113.57	0.40
Indonesia	Jakarta Composite Index	5,420.65	-	51.67	0.94
Japan	Nikkei 225	16,819.24	+	83.59	0.50
Malaysia	KLCI	1,662.92	+	1.67	0.10
New Zealand	NZX 50 Index	7,271.16	-	81.31	1.11
Singapore	Straits Times Index	2,881.79	-	2.85	0.10
South Korea	KOSPI	2,053.00	-	1.86	0.09
Taiwan	TWSE	9,272.28	-	15.49	0.17
Thailand	SET Index	1,509.92	+	0.14	0.01

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	5-Oct-16	4-Oct-16	Difference		5-Oct-16	4-Oct-16	Difference
1 month	1.3714	1.3917	- 0.020	4 year	3.2836	2.9049	+ 0.379
3 month	1.1398	1.4107	- 0.271	5 year	3.7714	3.7661	+ 0.005
6 month	1.3399	1.2792	+ 0.061	7 year	3.4654	3.4647	+ 0.001
1 year	1.3737	1.4194	- 0.046	10 year	3.6575	3.6335	+ 0.024
2 year	2.2952	2.2308	+ 0.064	20 year	4.6607	4.6625	- 0.002
3 year	3.2446	3.2929	- 0.048				

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
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	10/7/2016	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Sep
10/11/2016	Philippines External Trade Imports YoY	Aug	10/12/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Sep 30
10/11/2016	Philippines External Trade Exports	Aug	10/14/2016	US PPI Finished Goods SA MoM%	Sep
10/11/2016	Philippines External Trade Imports	Aug	10/14/2016	US PPI Finished Goods Less Foods & Energy SA MoM%	Sep
			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