

## Local

- The local equities market declined, resisting a regional upswing driven by positive U.S economic data. The PSE index declined by 19.63 points or 0.26%, closing at 7,620.16. Except for industrials (+0.03%) and services (+0.57%), all indices were red led by mining & oil (-0.45%) and financials (-0.43%). Market breadth was mixed with 90 advances and 94 declines while 54 were unchanged. Total value turnover was at Php6.74 billion. Foreigners were net sellers at Php331.01 million.
- Hong Kong and Shanghai Banking Corporation. (HSBC) has stated that they increased their growth forecast for the Philippines, as better government spending would support development in the 2nd half of 2016. This would counterbalance the declining effect of election spending and decelerating growth in fund inflows. The bank also provided that the gross domestic product (GDP) is expected to rise by 6.5% for this year, higher than the 6.3% July estimate after a “strong outturn” as reflected in the 1st half of 2016. HSBC Economist Joseph F. Incalcaterra said that they are positive that growth in the Philippines would outperform the growth in the region in the next few years.
- The Manila Electric Company (PSE Ticker: MER) stated that the overall rate for the month of October would fall by 12.16 centavos to Php8.34 per kWh. The firm also mentioned that the cutback was as a result of declining trends for generation and transmission charges. The overall rate this month decreased by 8 centavos per kilowatt-hour unlike Php8.42 per kWh for October 2015.
- In the local fixed income space, prices of government securities fell again as yields rose by an average of 4.92 bps. Investors opted for safer shorter-duration government bonds as the possibility of a U.S. FED rate hike increased. The short-end of the curve and the belly rose by 8.8 bps and 4.9 bps, respectively while the long-end fell by 0.3 bps.
- The Peso was flat against the U.S. Dollar as the increase in the likelihood of a U.S. FED rate hike may have been more or less priced in the previous close from the past two days. The USD / PHP remained at the same level, closing at 48.285.

## US and Europe

- Wall Street recovered yesterday on expectations of a more upbeat September non-farm payroll report, given the recent slew of positive US economic data. The S&P gained 1.04 points, driven by Materials, REITs and Technology sectors, to close at 2,161, though the Dow Jones and Nasdaq lost 12.53 and 9.17 points, respectively, to close at 18,268.50 and 5,306.85.
- The number of Americans applying for first-time unemployment benefits declined as initial jobless claims dropped 5,000 last week, which was the lowest since mid-April. While two weeks ago, continuing employment claims fell 6,000 to 2,058,000, which was the lowest level since July 2000.
- Treasuries lost ground for a fifth successive session as weekly jobless claims fell to their lowest level since mid-April. The two-year note yield is higher by 1.8bps to 0.85% and the 10-year bond yield rose 3.7bps to 1.739%.
- European stocks continued their sell-off as investor sentiment remained firmly negative over the news that the European Central Bank (ECB) may slow down the rate of bond purchases despite the denial of the ECB over such discussions taking place. On the other hand, positive news for Deutsche Bank continues to arrive as the IMF says that it doesn't currently foresee Deutsche Bank needing a bailout. FTSE 100 (United Kingdom), CAC 40 (France), and DAX (Germany) were down 0.47%, 0.22%, and 0.16% DoD, respectively.
- The US dollar traded flat with a slight upward bias relative to the Euro over the prospect of a slowdown in ECB stimulus and stronger-than-expected U.S. economic data. The EUR/USD pair fell by 0.54 cents (-0.48%) to close yesterday's trading at the 1.1152.

## Asia Pacific

- Asian markets were broadly higher yesterday as the combination of solid U.S. economic data and a weaker Japanese yet lift investor sentiment. The September survey reading of the U.S. Institute for Supply Management jumped to an 11-month high and beat investor expectations. Furthermore, a boost in oil prices helped support the equities rally. Japan, Korea, Hong Kong, Australia, and Malaysia markets were up while Indonesia and Philippine markets were down. The China market remained closed due to National Holiday.

## Key Indicators

EQUITIES BENCHMARK INDICES	6-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,620.16	-0.26%	-1.23%	-1.28%	9.61%
MSCI World USD Index	1,718.40	-0.16%	-0.08%	-1.57%	3.34%
MSCI All Country Asia Pacific ex-Japan Total Returns	398.68	-0.29%	-0.16%	-0.11%	13.33%
MSCI Europe USD Index	1,473.61	-0.67%	-0.42%	-2.27%	-3.22%
FTSEurofirst 300 Index	1,350.73	-0.41%	0.05%	-1.76%	-6.04%
Dow Jones Industrial Average Index	18,268.50	-0.07%	0.69%	-1.45%	4.84%
Standard & Poor's 500 Index	2,160.77	0.05%	0.45%	-1.18%	5.72%
YIELDS AND PRICES	6-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.1368	-0.00%	-0.47%	-0.07%	-1.53%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.6038	0.23%	-0.49%	-1.05%	-0.77%
ROP2021 (Price)	108.271	(0.05)	(0.23)	(1.22)	(0.09)
ROP2034 (Price)	143.571	(0.34)	(1.74)	(2.46)	13.10
3-Month US Treasury Yield	0.3205	0.00%	0.07%	0.01%	0.16%
2-year US Treasury Yield	0.8496	0.02%	0.12%	0.12%	-0.20%
10-year US Treasury Yield	1.7372	0.04%	0.18%	0.20%	-0.53%
30-year US Treasury Yield	2.4538	0.03%	0.18%	0.23%	-0.56%
3-Month German Treasury Bill Yield	-0.818	-0.02%	-0.07%	-0.01%	-0.28%
Dubai Crude Oil Spot (\$/bbl)	48.98	0.04%	8.46%	12.68%	52.44%
1-month Nymex oil futures (\$/bbl)	50.44	1.22%	5.46%	12.51%	36.18%
Gold Spot (\$/oz)	1,254.41	-0.98%	-4.99%	-7.08%	18.18%
USD/PHP (PDEX close)	48.285	0.00	(0.05)	1.69	1.22

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets				
Country	Index	Last Trade as of	October 6, 2016	
Country	Index	Value	DoD Change	%Change
Asia Pacific	MSCI AC Asia Pacific Index	140.62	+ 0.32	+ 0.23
Australia	S&P/ASX 200 Index	5,483.03	+ 30.11	+ 0.55
China	Shanghai SE Comp Index	3,004.70	0.00	0.00
Hong Kong	Hang Seng Index	23,952.50	+ 164.19	+ 0.69
India	SENSEX	28,106.21	- 114.77	- 0.41
Indonesia	Jakarta Composite Index	5,409.34	- 11.30	- 0.21
Japan	Nikkei 225	16,899.10	+ 79.86	+ 0.47
Malaysia	KLCI	1,666.73	+ 3.81	+ 0.23
New Zealand	NZX 50 Index	7,197.29	- 73.86	- 1.02
Singapore	Straits Times Index	2,885.22	+ 3.43	+ 0.12
South Korea	KOSPI	2,065.30	+ 12.30	+ 0.60
Taiwan	TWSE	9,284.31	+ 12.03	+ 0.13
Thailand	SET Index	1,513.86	+ 3.94	+ 0.26

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	6-Oct-16	5-Oct-16	Difference		6-Oct-16	5-Oct-16	Difference
1 month	1.4000	1.3714	+ 0.029	4 year	3.3786	3.2836	+ 0.095
3 month	1.1368	1.1398	- 0.003	5 year	3.7929	3.7714	+ 0.022
6 month	1.4359	1.3399	+ 0.096	7 year	3.4930	3.4654	+ 0.028
1 year	1.6038	1.3737	+ 0.230	10 year	3.6643	3.6575	+ 0.007
2 year	2.3436	2.2952	+ 0.048	20 year	4.6464	4.6607	- 0.014
3 year	3.2982	3.2446	+ 0.054				

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
10/7/2016	Philippines Budget Balance Monthly	Aug	10/7/2016	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Sep
10/7/2016	Philippines Gross Intl Reserves	Sep	10/7/2016	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Sep
10/10/2016	Philippines External Balance of Trade	Aug	10/12/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Oct 7
10/10/2016	Philippines External Trade Imports YoY	Aug	10/13/2016	US Initial Jobless Claims SA	Oct 1
10/10/2016	Philippines External Trade Exports	Aug	10/14/2016	US PPI Finished Goods SA MoM%	Sep
10/10/2016	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