

## Local

- The local equities market declines as foreigners sold ahead of the release of the Fed minutes. The PSE index declined by 65.35 points or 0.87%, closing at 7,455.47. News of high job approval rating of President Duterte went largely ignored in favor of negative global sentiment. Market sentiment was decidedly negative as all sectors were down for the day. Market breadth was strongly negative with 32 advances, 159 declines, and 43 unchanged. Total value turnover was Php8.45 billion. Foreigners were net sellers at Php556 million.
- The Department of Finance (DoF) aims to implement new taxes with regard to sugary drinks after evaluation of the same. DoF Undersecretary Antonette C. Tionko has said that the tax needs to be evaluated as they are aware that some sectors have placed soft drinks as a meal substitute. Meanwhile, the Philippine Chamber of Commerce and Industry (PCCI) Chief Operating Officer Donald G. Dee said that construction workers have used softdrinks as an energy drink.
- Semirara Mining and Power Corporation (PSE Ticker: SCC) said they stopped coal production within the Panian Pit at Semirara Island following the validation from the Department of Energy in the exhaustion of mineable coal reserves. The firm added that coal production was halted, beginning Sept. 26, 2016. SCC will commence restoring the area into good condition.
- In the local fixed income space, prices of government securities rose as investors engaged in selective bargain hunting, particularly in the belly of the curve. Yields fell by an average of 8.33 bps across the curve, with particular emphasis in the belly. The short-end, belly, and long-end of the curve fell by 5.6, 14.8, and 1.1 bps, respectively.
- The Peso was flat with a downward bias against the US Dollar as global risks encourage investors to take safety in the US dollar. The USD / PHP rose by 0.02 centavos or 0.04%, closing at 48.540.

## US and Europe

- Wall Street closed with mixed results yesterday as investors considered the substance of the Fed's September FOMC meeting minutes. The record reveals a highly conflicted committee grappling with equally weighty grounds for raising and holding rates steady. The minutes shed light on the very close vote that ultimately resulted in the decision, by a narrow margin, not to raise interest rates last September. The Dow Jones and S&P 500 gapped up by 15.54 and 2.44 points, respectively, to close at 18,144 and 2,139. The Nasdaq, however, fell 7.7 points to end trading at 5,239.
- The September FOMC meeting revealed a still-divided committee with respect to deciding on the next interest rate hike. Members on both sides of the argument presented their case for merits and risks of acting too soon or too late, which include tipping the US economy back into recession or being surprised by runaway inflation forcing the Fed to abruptly steepen rate hike trajectory, upsetting markets.
- The Job Opening and Labor Turnover Survey (JOLTS) fell to an eight month low of 5.44 million, down 388,000 jobs, last August. This disappointed expectations of 5.8 million. The weakness was reportedly stemming from a slowdown in professional and business services hiring, though the "quits rate" held steady at 2.1% for a third straight month.
- US Treasuries traded sideways with mixed results yesterday as investors continue to prepare for an increasingly certain one-and-only rate hike in December for 2016, but at the same time acknowledge that this was likely factored into current bond prices. The 2-year and 10-year US Treasuries fell and rose by 0.80 and 0.70 basis points, respectively, to 0.86% and 1.77%.
- European markets were down again, led by the technology sector in light of a profit warning from Sweden's Ericsson. Swedish telecom equipment maker Ericsson announced a preliminary 3rd quarter result that will be significantly lower than company expectations and that current trends are expected to continue in the short term. Broader implications for Ericsson announcement point to acceleration in weaker demand. The FTSE 100 (United Kingdom), CAC 40 (France), and DAX (Germany) fell by 0.66%, 0.44%, and 0.51% DoD, respectively.
- The US dollar traded flat with a slight upward bias relative to the Euro as minutes from the Fed indicate a rate hike relatively soon. The EUR/USD pair fell by 0.41 cents (-0.37%) to close yesterday's trading at the 1.1013 level.

## Asia Pacific

- Asian markets plunged yesterday, led by Thailand and Japan, as odds for a US interest rate increase in December rose. For Thailand, concerns about the health of King Bhumibol Adulyadej led to a drop of 2.5% in the SET to close at 1,406.18 as Thai royal authorities said that the 88-year-old king's health was not stable. For Japan, weak second-quarter results from steel and financial companies aggravated the concerns of the US rate hike. China, Hong Kong, Indonesia, Japan, Malaysia, and Philippine markets were down while Korean and Taiwan markets were up.

## Key Indicators

EQUITIES BENCHMARK INDICES	12-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,429.82	-1.21%	-2.75%	-2.00%	6.87%
MSCI World USD Index	1,695.54	-0.28%	-1.49%	-1.18%	1.97%
MSCI All Country Asia Pacific ex-Japan Total Returns	394.59	-1.21%	-1.02%	2.47%	12.17%
MSCI Europe USD Index	1,436.27	-0.89%	-3.19%	-2.61%	-5.67%
FTSEurofirst 300 Index	1,336.17	-0.45%	-1.48%	-0.78%	-7.05%
Dow Jones Industrial Average Index	18,144.20	0.09%	-0.75%	-0.99%	4.13%
Standard & Poor's 500 Index	2,139.18	0.11%	-0.95%	-0.92%	4.66%
YIELDS AND PRICES	12-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.4214	0.01%	0.28%	-0.09%	-1.25%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.3371	-0.32%	-0.04%	-1.26%	-1.03%
ROP2021 (Price)	108.185	(0.08)	(0.13)	(0.64)	(0.17)
ROP2034 (Price)	141.091	(0.83)	(2.82)	(2.33)	10.62
3-Month US Treasury Yield	0.3399	0.01%	0.02%	-0.02%	0.18%
2-year US Treasury Yield	0.8585	-0.01%	0.03%	0.09%	-0.19%
10-year US Treasury Yield	1.7692	0.01%	0.07%	0.11%	-0.50%
30-year US Treasury Yield	2.4991	-0.00%	0.08%	0.11%	-0.52%
3-Month German Treasury Bill Yield	-0.854	-0.00%	-0.05%	-0.11%	-0.32%
Dubai Crude Oil Spot (\$/bbl)	49.99	-0.22%	2.10%	9.94%	55.59%
1-month Nymex oil futures (\$/bbl)	50.18	-1.20%	0.70%	8.40%	35.48%
Gold Spot (\$/oz)	1,255.30	0.21%	-0.91%	-5.46%	18.27%
USD/PHP (PDEX close)	48.540	0.02	0.26	1.38	1.48

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets				
Last Trade as of		October 12, 2016		
Country	Index	Value	DoD Change	%Change
Asia Pacific	MSCI AC Asia Pacific Index	138.70	-	1.06 - 0.76
Australia	S&P/ASX 200 Index	5,474.62	-	5.19 - 0.09
China	Shanghai SE Comp Index	3,058.50	-	6.75 - 0.22
Hong Kong	Hang Seng Index	23,407.05	-	142.47 - 0.60
India	SENSEX	28,082.34	-	0.00 - 0.00
Indonesia	Jakarta Composite Index	5,364.61	-	17.39 - 0.32
Japan	Nikkei 225	16,840.00	-	184.76 - 1.09
Malaysia	KLCI	1,667.03	-	1.69 - 0.10
New Zealand	NZX 50 Index	7,107.46	-	16.78 - 0.24
Singapore	Straits Times Index	2,813.71	-	42.42 - 1.49
South Korea	KOSPI	2,033.73	+	1.80 + 0.09
Taiwan	TWSE	9,252.60	+	32.78 + 0.36
Thailand	SET Index	1,406.18	-	36.03 - 2.50

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	12-Oct-16	11-Oct-16	Difference		12-Oct-16	11-Oct-16	Difference
1 month	1.3964	1.3893	+ 0.007	4 year	3.0724	3.4357	- 0.363
3 month	1.4214	1.4107	+ 0.011	5 year	3.8107	3.8018	+ 0.009
6 month	1.5464	1.4732	+ 0.073	7 year	3.6238	3.5709	+ 0.053
1 year	1.3371	1.6536	- 0.317	10 year	3.8534	3.8316	+ 0.022
2 year	2.3398	2.8036	- 0.464	20 year	4.6679	4.7214	- 0.053
3 year	3.3625	3.3393	+ 0.023				

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
10/13/2016	Philippines Budget Balance Monthly	Aug	10/13/2016	US Initial Jobless Claims SA	Oct 8
10/17/2016	Philippines Overseas Filipino Workers Remittances YoY	Aug	10/14/2016	US PPI Finished Goods SA MoM%	Sep
10/17/2016	Philippines Overseas Filipino Workers Remittances	Aug	10/14/2016	US PPI Finished Goods Less Foods & Energy SA MoM%	Sep
10/19/2016	Philippines BOP	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
			10/18/2016	US CPI Urban Consumers MoM SA	Sep
			10/19/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Oct 7
			10/19/2016	US New Privately Owned Housing Units Started by Structure Total SAAR	Sep

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