

Local

- The local equities market declined as investors across the board sold on uncertainty of the US fed rate hike. The PSE index declined by 117.64 points or 1.58%, closing at 7,312.18. S&P's upward revision of Philippines' GDP forecast from 6.1% to 6.5% for FY 2016 were mostly ignored as the focus was on the rate hike. Market sentiment was decisively negative as all sectors were down for the day. Market breadth was strongly negative with 29 advances, 164 declines, and 44 unchanged. Total value turnover was Php8.78 billion. Foreigners were net sellers at Php750 million.
- Domestic trade went up closer to 40% for the second quarter driven by a rise in local consumption. Based from the results released for the quarter by the Philippine Statistics Authority (PSA), in relation to the "Commodity Flow in the Philippines", the value of goods traded within that time amounted to Php158.71 billion, which is an increase of 39.3%. According to a market economist, the strong growth data was caused by election spending and favorable economic conditions, igniting confidence for both consumers and businesses.
- Nickel Asia Corporation (PSE Ticker: NIKL) recorded a double-digit decline in sales from January to September 2016. This is due to adverse weather conditions which postponed shipments of nickel ore as prices continue to be weak. According to the firm, the value of its shipments declined by 19% to Php9.94 billion, lower than Php12.32 billion in the same period for the previous year.
- In the local fixed income space, prices of government securities fell as investors locked-in gains ahead of a potential increase in volatility from US fed officials. Yields rose by an average of 4.37 bps across the curve, particularly towards the short-end. The short-end, belly, and long-end of the curve rose by 7.2, 4.3, and 0.8 bps, respectively.
- The Peso was flat with an upward bias against the US Dollar as investors focused on bullishness on Philippine growth over uncertainty of a US fed rate hike. The USD / PHP fell by 0.20 centavos or 0.41%, closing at 48.340.

US and Europe

- US stocks recovered from early day trading losses given the reversal of oil prices. Trading was a bit defensive ahead of key earnings from J.P. Morgan, Wells Fargo and Citigroup tonight. 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 Industrial Average dipped 45.26 points, or 0.25%, to 18,098.94 while the S&P 500 fell 6.63 points, or 0.31%, to 2,312.55.
- In spite of the three positive factors in the US economy (which led to his support for a September rate hike), Philadelphia Fed President Patrick Harker thinks that the Federal Reserve will wait for the results of the November 8 U.S. presidential election prior to making any policy changes.
- Initial jobless claims for the week ended Oct. 8 was unchanged at 246,000 (vs. mkt est of 253k), a four-decade low. Initial jobless claims have now remained below 300,000 for 84 consecutive weeks, the longest streak since 1970. Meanwhile, the four-week moving average slipped 3,500 to 249,250.
- US Treasuries bounced back as the 10% decline in US\$ Chinese exports raised the demand for safe-haven assets. Moreover, the USD12 billion sale of 30-year Treasury added to the market's price gains as the overall demand reached the highest level since July. The two-year note yield dipped 2.4bps to 0.835% while the 10-year bond yield is losing 2.8bps to 1.741%.
- European markets were down again as investors digested negative news on trade weaknesses in China, particularly on mining and auto, and broker downgrades in the insurance space. Softness in variable annuities in the US for Dutch insurer Aegon has led to a 5.9% drop after SocGen cut its rating to "hold". The FTSE 100 (United Kingdom), CAC 40 (France), and DAX (Germany) fell by 0.66%, 1.06%, and 1.04% DoD, respectively. The FTSEEurofirst 300 Index fell by 0.91%, closing at 1,323.95.
- The US dollar traded flat with a slight bias downward relative to the Euro as data regarding US first-time unemployment benefits held at a four-decade low and odds of a US fed rate hike in December remained stable. The EUR/USD pair rose by 0.11 cents (+0.10%) to close yesterday's trading at the 1.1029 level.

Asia Pacific

- Asian markets were broadly down yesterday as data from China reveal that September exports were sharply down from a year earlier, reflecting a sluggish global demand for goods. Chinese exports were down 10% from a year earlier in dollar terms, an increase from a decline of 2.8% in August. Finally, Thai King Bhumibol died at the age of 88. King Bhumibol reigned for 70 years and has led Thailand through the Cold War, as well as military conflicts in neighboring Vietnam, Laos, and Cambodia. Hong Kong, Jakarta, India, Japan, Malaysia, Philippines, Singapore, Taiwan, and Korea markets were down while China and Thailand markets were up.

Key Indicators

EQUITIES BENCHMARK INDICES	13-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,312.18	-1.58%	-4.04%	-3.15%	5.18%
MSCI World USD Index	1,689.62	-0.35%	-1.67%	-0.31%	1.61%
MSCI All Country Asia Pacific ex-Japan Total Returns	393.34	-0.32%	-1.67%	2.47%	11.81%
MSCI Europe USD Index	1,425.71	-0.73%	-3.25%	-2.51%	-6.37%
FTSEurofirst 300 Index	1,323.95	-0.91%	-1.98%	-0.67%	-7.90%
Dow Jones Industrial Average Index	18,098.94	-0.25%	-0.93%	0.18%	3.87%
Standard & Poor's 500 Index	2,132.55	-0.31%	-1.31%	0.26%	4.34%
YIELDS AND PRICES	13-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.4018	-0.02%	0.27%	0.09%	-1.26%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.7929	0.46%	0.19%	0.18%	-0.58%
ROP2021 (Price)	108.218	0.03	(0.05)	(0.61)	(0.14)
ROP2034 (Price)	141.409	0.32	(2.16)	(2.45)	10.94
3-Month US Treasury Yield	0.2841	-0.06%	-0.04%	-0.07%	0.12%
2-year US Treasury Yield	0.8345	-0.02%	-0.02%	0.04%	-0.21%
10-year US Treasury Yield	1.7411	-0.03%	0.00%	0.01%	-0.53%
30-year US Treasury Yield	2.4768	-0.02%	0.02%	0.01%	-0.54%
3-Month German Treasury Bill Yield	-0.869	-0.02%	-0.05%	-0.13%	-0.33%
Dubai Crude Oil Spot (\$/bbl)	49.12	-1.74%	0.29%	12.61%	52.88%
1-month Nymex oil futures (\$/bbl)	50.44	0.52%	0.00%	12.34%	36.18%
Gold Spot (\$/oz)	1,258.13	0.23%	0.30%	-4.62%	18.53%
USD/PHP (PDEX close)	48.340	(0.20)	0.06	0.89	1.28

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of October 13, 2016					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	137.93	-	0.77	0.56
Australia	S&P/ASX 200 Index	5,435.54	-	39.07	0.71
China	Shanghai SE Comp Index	3,061.35	+	2.85	0.09
Hong Kong	Hang Seng Index	23,031.30	-	375.75	1.61
India	SENSEX	27,643.11	-	439.23	1.56
Indonesia	Jakarta Composite Index	5,340.40	-	24.21	0.45
Japan	Nikkei 225	16,774.24	-	65.76	0.39
Malaysia	KLCI	1,665.02	-	2.01	0.12
New Zealand	NZX 50 Index	7,120.05	+	12.59	0.18
Singapore	Straits Times Index	2,805.48	-	8.23	0.29
South Korea	KOSPI	2,015.44	-	18.29	0.90
Taiwan	TWSE	9,219.17	-	33.43	0.36
Thailand	SET Index	1,412.82	+	6.64	0.47

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	13-Oct-16	12-Oct-16	Difference		13-Oct-16	12-Oct-16	Difference
1 month	1.3911	1.3964	- 0.005	4 year	3.0980	3.0724	+ 0.026
3 month	1.4018	1.4214	- 0.020	5 year	3.7893	3.8107	- 0.021
6 month	1.4018	1.5464	- 0.145	7 year	3.6949	3.6238	+ 0.071
1 year	1.7929	1.3371	+ 0.456	10 year	3.8497	3.8534	- 0.004
2 year	2.4010	2.3398	+ 0.061	20 year	4.6946	4.6679	+ 0.027
3 year	3.4411	3.3625	+ 0.079				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
10/15/2016	Philippines Budget Balance Monthly	Aug	10/14/2016	US PPI Finished Goods SA MoM%	Sep
10/17/2016	Philippines Overseas Filipino Workers Remittances YoY	Aug	10/14/2016	US PPI Finished Goods Less Foods & Energy SA MoM%	Sep
10/17/2016	Philippines Overseas Filipino Workers Remittances	Aug	10/14/2016	US PPI Finished Goods NSA YoY%	Sep
10/19/2016	Philippines BOP	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 14
			10/19/2016	US New Privately Owned Housing Units Started by Structure Total SAAR	Sep
			10/20/2016	US Initial Jobless Claims SA	Oct 8

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