

Local

- The local equities market made significant gains on the back of a series of positive news. August OFW remittances were up 16.3% YoY versus -5.2% in August. BSP data showed property prices rose in Q2 2016. Furthermore, investor optimism was up on expectations of continued accommodative monetary policy from the US Fed. The PSE index rose by 212.94 points or 2.89%, closing at 7,571.15. All indices were up and market breadth was positive with 123 advances and 68 declines while 35 were unchanged. Total value turnover was at Php8.35 billion. Foreigners were net sellers at Php107.35 million.
- THE House ways and means committee may come out this week with its revisions to the first tax reform package submitted by the Department of Finance to Congress last month. The committee proposed to the Finance department the possibility of working on legislation that could set tighter standards for senior citizens and PWDs to qualify for tax exemptions. The committee asked the DoF to submit the details of its study on the proposed additional excise tax on oil and petroleum products, focusing on the competitiveness of the Philippines in attracting foreign investors.
- Moody's upgraded its growth forecast for the Philippines from its initial forecast of 6.2% last July to 6.5%. They cited mostly domestic sources as major drivers of growth, particularly the government's tax reform proposals and accelerated infrastructure investments. The credit rating agency mentioned that the sustained rise in government revenues and further improvement in the country's external debt profile could prompt it to increase its rating going forward.
- In the local fixed income space, prices of government securities rose significantly as investors digested a series of positive news from yesterday (e.g. property prices, remittances, China visit). Positive sentiment resulted in a steepening of the curve. Yields decreased by an average of 16.57 bps, as the short-, belly, and long-end of the curve fell by 42.3, 4.6, and 2.3 bps, respectively.
- The Peso traded sideways with an upward bias against the US Dollar as positive domestic news was further supported by optimism on the US Fed maintaining an accommodative monetary policy. The USD / PHP pair fell by 3.25 centavos or 0.67%, closing at 48.200.

US and Europe

- US stocks rebounded as corporate earnings showed favorable results. The strong headline consumer price index was also taken by the market positively. The Dow Jones Industrial Average gained 75.54 points, or +0.42%, to 18,161.94 while the S&P 500 rose 13.10 points, or +0.62%, to 2,139.60.
- For the month of September, US consumer prices rose 0.3% MoM (Mkt. est.: +0.3%), its largest increase in five months. However, core CPI slowed to 0.1% MoM (Mkt. est.: +0.2%) after reporting a 0.3% increase in August. This was primarily dampened by the fifth straight month of decline in food costs. Meanwhile, the major contributor of growth was gasoline as oil prices spiked during the month.
- The housing market index, as estimated by the National Association of Home Builders/Wells Fargo, fell to 63 in October from 65 in September. The reading was in line with consensus estimates and was one of the highest for the year.
- US Treasuries crept higher as the core inflation disappointed the bond markets. US Treasury yields steepened with the gap between the 5- and 30-year papers recorded at its widest since June. The two-year note yield declined by 1.61 bps to 0.799% level while the 10-year bond yield lost 2.81 bps to 1.738%.
- European markets rose yesterday - its best performance in four weeks - as miners and banks led the way. Bank of America-Merrill Lynch upgraded the regional banks to 'overweight' on factors such as light positioning, progress on Italy restructuring, and a turn in bond yields globally. Miners such as Rio Tinto, BHP Bilton, South32, Anglo American, and Glencore rose. The FTSE 100 (United Kingdom), CAC 40 (France), and DAX (Germany) increased by 0.8%, 1.3%, and 1.2% DoD, respectively. The FTSEurofirst 300 Index rose by 1.40%, closing at 1,350.96.
- The US dollar traded flat with a slight upward bias relative to the Euro as data from the US indicated that the overall cost of living rose at the fastest pace in five months and minutes from the Fed showed nine of the twelve regional Federal Reserve banks voted for an increase in the discount rate in September. The EUR/USD pair rose by 0.21 cents (+0.19%) to close at the 1.1009 level.

Asia Pacific

- Asian markets were broadly positive yesterday as weak economic data from the US softened expectations that the Fed would raise rates in December. US economic data indicated an increase in industrial production of 0.1% in September from a month later, below expectations of a 0.2% gain. The MSCI AC Asia Pacific Index gained 0.91%, to close at 139.36.

Key Indicators

EQUITIES BENCHMARK INDICES	18-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,571.15	2.89%	0.67%	0.23%	8.90%
MSCI World USD Index	1,701.10	0.79%	0.05%	0.28%	2.30%
MSCI All Country Asia Pacific ex-Japan Total Returns	388.87	-0.53%	-1.45%	0.68%	10.54%
MSCI Europe USD Index	1,428.19	0.00%	-1.45%	-1.33%	-6.20%
FTSEurofirst 300 Index	1,350.96	1.40%	0.65%	1.69%	-6.02%
Dow Jones Industrial Average Index	18,161.94	0.42%	0.18%	0.21%	4.23%
Standard & Poor's 500 Index	2,139.60	0.62%	0.13%	0.02%	4.68%
YIELDS AND PRICES	18-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.2614	-0.28%	-0.15%	-1.33%	-1.41%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.9109	0.10%	0.26%	-0.19%	-0.46%
ROP2021 (Price)	108.177	(0.00)	(0.09)	(0.15)	(0.18)
ROP2034 (Price)	140.602	(0.00)	(1.32)	(1.80)	10.13
3-Month US Treasury Yield	0.3349	0.04%	0.00%	0.06%	0.17%
2-year US Treasury Yield	0.7986	-0.02%	-0.07%	0.04%	-0.25%
10-year US Treasury Yield	1.7379	-0.03%	-0.03%	0.05%	-0.53%
30-year US Treasury Yield	2.5054	-0.02%	0.00%	0.06%	-0.51%
3-Month German Treasury Bill Yield	-0.859	-0.01%	-0.01%	-0.12%	-0.32%
Dubai Crude Oil Spot (\$/bbl)	48.26	-0.25%	-3.67%	13.53%	50.20%
1-month Nymex oil futures (\$/bbl)	50.29	0.70%	-0.98%	16.87%	35.77%
Gold Spot (\$/oz)	1,262.45	0.53%	0.78%	-3.65%	18.94%
USD/PHP (PDEX close)	48.200	(0.32)	(0.32)	0.38	1.14

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets				
Last Trade as of		October 18, 2016		
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pacific Index	139.36	+	1.25 + 0.91
Australia	S&P/ASX 200 Index	5,410.75	+	22.07 + 0.41
China	Shanghai SE Comp Index	3,083.88	+	42.71 + 1.40
Hong Kong	Hang Seng Index	23,394.39	+	356.85 + 1.55
India	SENSEX	28,050.88	+	520.91 + 1.89
Indonesia	Jakarta Composite Index	5,430.05	+	19.74 + 0.36
Japan	Nikkei 225	16,963.61	+	63.49 + 0.38
Malaysia	KLCI	1,667.57	+	13.86 + 0.84
New Zealand	NZX 50 Index	6,973.09	-	93.28 - 1.32
Singapore	Straits Times Index	2,830.63	+	13.56 + 0.48
South Korea	KOSPI	2,040.43	+	12.82 + 0.63
Taiwan	TWSE	9,222.58	+	46.36 + 0.51
Thailand	SET Index	1,477.54	+	0.20 + 0.01

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	18-Oct-16	17-Oct-16	Difference		18-Oct-16	17-Oct-16	
1 month	2.1164	3.0102	- 0.894	4 year	3.2688	3.5554	- 0.287
3 month	1.2614	1.5411	- 0.280	5 year	3.9143	3.7946	+ 0.120
6 month	1.6333	2.2571	- 0.624	7 year	3.9417	3.7444	+ 0.197
1 year	1.9109	1.8071	+ 0.104	10 year	4.0682	4.1696	- 0.101
2 year	2.5740	2.9036	- 0.330	20 year	4.7393	4.7054	+ 0.034
3 year	3.5304	3.4589	+ 0.072				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
10/19/2016	Philippines BOP	Sep	10/19/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Oct 14
10/19/2016	Philippines Budget Balance Monthly	Aug	10/19/2016	US New Privately Owned Housing Units Started by Structure Total SAAR	Sep
10/28/2016	Philippines Commercial Banks Loans Outstanding Total Gross YoY	Sep	10/20/2016	US Initial Jobless Claims SA	Oct 15
10/28/2016	Philippines Commercial Banks Loan Outstanding Total Net YoY	Sep	10/20/2016	US Existing Homes Sales SAAR	Sep
			10/20/2016	Conference Board US Leading Index MoM	Sep
			10/25/2016	Conference Board Consumer Confidence SA 1985=100	Oct
			10/26/2016	Merchant Wholesalers Inventories Total Monthly % Change	Sep P
			10/27/2016	US Durable Goods New Orders Industries MoM SA	Sep P
			10/28/2016	GDP US Chained 2009 Dollars QoQ SAAR	3Q A
			10/28/2016	University of Michigan Consumer Sentiment Index	Oct F

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