

Local

- The local equities market rallied strongly for the second consecutive day, tracking the Wall Street's rebound overnight. Moreover, China's GDP growth for the third quarter came in-line at 6.7%, boosting sentiment in the region. The PSEi gained 150.42 points, or +1.99%, to close at 7,721.57. All sectors ended in green, led by the property (+2.39%) and financials (+2.1%). Market breadth was positive with 119 advances outnumbering 76 declines, while 40 issues remained unchanged. Total value turnover reached Php12.16 billion. Foreigners were net buyers at Php1.07 billion.
- BSP Deputy Governor Diwa Guinigundo said that the balance of payments (BOP) position of the country still settled at a surplus but it narrowed to US\$117 million in September. This was a huge drop from the US\$682 recorded in August, and is likewise lower than the US\$219 million registered in the same month last year. The BSP attributed the decline to the heightened uncertainty in the financial markets due to the expectations of a Fed rate hike. In aggregate for the first nine months of the year, BOP surplus has reached US\$1.65 billion, 8.8% lower than the US\$1.81 billion reported in the same period last year. As a result, the BSP lowered its projection for the BOP to US\$2 billion from the initial target of US\$2.2 billion.
- AC Energy Holdings, Inc, subsidiary of Ayala Corporation (PSE ticker: AC) has earmarked Php80 billion of investments in the power generation segment by the time it completes 2,000 megawatts by 2020. By that time, they expect AC Energy's net income to reach Php5 billion, contributing 10% to AC's consolidated net profits. The company also targets around 60% of the total capacity to come from renewable energy sources like solar and wind technologies.
- In the local fixed income space, prices of government securities rose on the back of Moody's upgrade of Philippine GDP forecast and positive sentiment on the China visit. Yields decreased by an average of 2.37 bps, as the short-, belly, and long-end of the curve fell by 0.9, 3.6, and 2.3 bps, respectively.
- The Peso traded sideways with an upward bias against the US Dollar as Moody's upgrades GDP forecasts for the Philippines. Acceleration of infrastructure development and passage of comprehensive tax reform were cited as catalysts for upgrade. The USD / PHP pair fell by 4.0 centavos or 0.08%, closing at 48.160.

US and Europe

- US stocks rallied on the back of strong bank earnings and the bounce in oil prices. The Dow Jones Industrial Average gained 40.68 points, or +0.22%, to 18,202.62 while the S&P 500 rose 4.69 points, or +0.22%, to 2,144.29.
- US housing starts sank to an 18-month low during the month of September, showing a decline of 9% to an annual rate of 1.047 million. The multi-family category drove the drop, recording a 38% decrease. In contrast, single-family starts rose 8.1%, the highest level since February. Building permits jumped 6.3% MoM, signaling recovery going forward.
- US business inventories increased by 0.2% for the month of August. This was after the flat growth seen the prior month. Retail inventories rose 0.6% after falling by 0.2% in July. Retail inventories excluding autos, the measure used in the calculation of GDP, likewise rose by 0.3%. Meanwhile, sales inched up 0.2%, indicating 1.39 months of inventory.
- US Treasuries ended flat as dealers bought and sold them to hedge the huge bond offering from Saudi Arabia. This is the first and the largest global bond issue of the said country. Total offer size reached US\$17.5 billion, likewise the largest ever issued by an emerging-market government. 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 again yesterday as names in discretionary, energy, and financials led the way. French supermarket retailer Carrefour jumped 4.7% after it reported a 3.2% increase in Q3 like-for-like sales, a barometer for consumer sentiment. The FTSE 100 (United Kingdom), CAC 40 (France), and DAX (Germany) increased by 0.30%, 0.25%, and 0.13% DoD, respectively. The FTSEurofirst 300 Index rose by 0.32%, closing at 1,355.32.
- The US dollar traded flat with a slight downward bias relative to the Euro as the Fed's latest Beige Book indicated that the US economy expanded into early October despite a degree of uncertainty generated by the upcoming presidential election. The Fed's Boston district noted that some sectors were delaying some business decisions due to near-term uncertainty. The EUR/USD pair fell by 0.11 cents (-0.10%) to close at the 1.0998 level.

Asia Pacific

- Asian markets were broadly positive yesterday as China's 3rd quarter GDP of 6.7% comes in line of consensus expectations. The main drivers of growth were credit availability, real estate, and other fiscal stimulus. Economists expect the stronger pace of expansion to last through the end of the year, supported by a flood of loans and government spending that has fed infrastructure spending and a rebound in the property market. The MSCI AC Asia Pacific Index gained 0.47%, to close at 140.02.

Key Indicators

| EQUITIES BENCHMARK INDICES | 19-Oct-16 | DoD change | WoW change | MoM change | Ytd change |
|--|-----------|------------|------------|------------|------------|
| Philippine Stock Exchange Index | 7,721.57 | 1.99% | 3.93% | 1.92% | 11.07% |
| MSCI World USD Index | 1,706.74 | 0.33% | 0.66% | 0.21% | 2.64% |
| MSCI All Country Asia Pacific ex-Japan Total Returns | 394.03 | 1.33% | 0.17% | 0.77% | 12.01% |
| MSCI Europe USD Index | 1,451.15 | 0.28% | 1.04% | -0.95% | -4.70% |
| FTSEurofirst 300 Index | 1,355.32 | 0.32% | 1.43% | 0.97% | -5.72% |
| Dow Jones Industrial Average Index | 18,202.62 | 0.22% | 0.32% | 0.46% | 4.46% |
| Standard & Poor's 500 Index | 2,144.29 | 0.22% | 0.24% | 0.24% | 4.91% |
| YIELDS AND PRICES | 19-Oct-16 | DoD change | WoW change | MoM change | Ytd change |
| 91-Day Philippine Treasury Bill Yield (PDST-R2) | 1.2242 | -0.04% | -0.20% | -0.81% | -1.44% |
| 1-Year Philippine Treasury Bill Yield (PDST-R2) | 1.7968 | -0.11% | 0.46% | -0.37% | -0.57% |
| ROP2021 (Price) | 108.228 | 0.05 | 0.04 | (0.14) | (0.13) |
| ROP2034 (Price) | 140.662 | 0.06 | (0.43) | (1.97) | 10.19 |
| 3-Month US Treasury Yield | 0.3298 | -0.01% | -0.01% | 0.08% | 0.17% |
| 2-year US Treasury Yield | 0.7946 | -0.00% | -0.06% | 0.02% | -0.25% |
| 10-year US Treasury Yield | 1.7432 | 0.01% | -0.03% | 0.03% | -0.53% |
| 30-year US Treasury Yield | 2.5069 | 0.00% | 0.01% | 0.05% | -0.51% |
| 3-Month German Treasury Bill Yield | -0.861 | -0.00% | -0.01% | -0.12% | -0.32% |
| Dubai Crude Oil Spot (\$/bbl) | 48.76 | 1.04% | -2.46% | 13.45% | 51.76% |
| 1-month Nymex oil futures (\$/bbl) | 51.60 | 2.60% | 2.83% | 19.17% | 39.31% |
| Gold Spot (\$/oz) | 1,269.23 | 0.54% | 1.11% | -3.34% | 19.58% |
| USD/PHP (PDEX close) | 48.160 | (0.04) | (0.38) | 0.34 | 1.10 |

Source: Bloomberg

Asian Equity Markets

| Asia Pacific Markets | | | | | |
|----------------------|----------------------------|------------------|------------|----------|--------|
| Last Trade as of | | October 19, 2016 | | | |
| Country | Index | Value | DoD Change | % Change | |
| Asia Pacific | MSCI AC Asia Pacific Index | 140.02 | + | 0.66 | + 0.47 |
| Australia | S&P/ASX 200 Index | 5,435.36 | + | 24.61 | + 0.45 |
| China | Shanghai SE Comp Index | 3,084.72 | + | 0.84 | + 0.03 |
| Hong Kong | Hang Seng Index | 23,304.97 | - | 89.42 | - 0.38 |
| India | SENSEX | 27,984.37 | - | 66.51 | - 0.24 |
| Indonesia | Jakarta Composite Index | 5,409.29 | - | 20.76 | - 0.38 |
| Japan | Nikkei 225 | 16,998.91 | + | 35.30 | + 0.21 |
| Malaysia | KLCI | 1,668.27 | + | 0.70 | + 0.04 |
| New Zealand | NZX 50 Index | 6,976.54 | + | 3.44 | + 0.05 |
| Singapore | Straits Times Index | 2,844.62 | + | 13.99 | + 0.49 |
| South Korea | KOSPI | 2,040.94 | + | 0.51 | + 0.02 |
| Taiwan | TWSE | 9,283.99 | + | 61.41 | + 0.67 |
| Thailand | SET Index | 1,486.28 | + | 8.74 | + 0.59 |

Local Bond Market

| Peso Interest Rates (PDEX PDST-R2) | | | | | | | | |
|------------------------------------|-----------|-----------|------------|-------|-----------|-----------|------------|---------|
| | 19-Oct-16 | 18-Oct-16 | Difference | | 19-Oct-16 | 18-Oct-16 | Difference | |
| 1 month | 2.3416 | 2.1164 | + | 0.225 | 4 year | 3.2027 | 3.2688 | - 0.066 |
| 3 month | 1.2242 | 1.2614 | - | 0.037 | 5 year | 3.9536 | 3.9143 | + 0.039 |
| 6 month | 1.5243 | 1.6333 | - | 0.109 | 7 year | 3.8735 | 3.9417 | - 0.068 |
| 1 year | 1.7968 | 1.9109 | - | 0.114 | 10 year | 3.9433 | 4.0682 | - 0.125 |
| 2 year | 2.4376 | 2.5740 | - | 0.136 | 20 year | 4.7964 | 4.7393 | + 0.057 |
| 3 year | 3.5804 | 3.5304 | + | 0.050 | | | | |

Upcoming Economic Releases

| Date | Philippines | Period Covered | Date | US | Period Covered |
|------------|--|----------------|------------|---|----------------|
| 10/20/2016 | Philippines Budget Balance Monthly | Aug | 10/20/2016 | US Initial Jobless Claims SA | Oct 15 |
| 10/28/2016 | Philippines Commercial Banks Loans Outstanding Total Gross YoY | Sep | 10/20/2016 | US Existing Homes Sales SAAR | Sep |
| 10/28/2016 | Philippines Commercial Banks Loan Outstanding Total Net YoY | Sep | 10/20/2016 | Conference Board US Leading Index MoM | Sep |
| | | | 10/20/2016 | Philadelphia Fed Business Outlook Survey Diffusion Index General Conditions | Oct |
| | | | 10/25/2016 | Conference Board Consumer Confidence SA 1985=100 | Oct |
| | | | 10/26/2016 | MBA US US Mortgage Market Index Weekly % Change SA Old Meth | Oct 14 |
| | | | 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