

## Local

- The local equities market took a breather from two consecutive days of strong rally as investors opted to book profits. The PSEi lost 8.25 points, or -0.11%, to close at 7,713.32. Most of the sectors ended in green, led by the financials (+0.39%) and property (+0.22%). Market breadth was positive with 101 advances outnumbering 78 declines, while 47 issues remained unchanged. Total value turnover reached Php6.94 billion. Foreigners were net buyers at Php418.4 million.
- The fiscal balance showed significant movement in August, resulting to the first surplus in five months according to the Treasury bureau. The Treasury bureau also showed revenue growth double that of public spending. August saw a P32.6 billion surplus which was double compared to what was recorded during August 2015; revenue grew by 19% to P209.6 billion. September took the year-to-date fiscal balance to a P138.4-billion deficit which was narrower than January to July's P171 billion. Year-to-date revenues are up 3% at P1.481 trillion, while expenditures are up 12% at P1.619 trillion.
- Villar-led Vista Land and Lifescapes Inc. (PSE ticker: VLL) is looking for more properties in Boracay to expand its recently-launched Costa Vista project. The company plans to acquire around 15 hectares of land to be added to the mentioned project which is initially projected to be a Php2.2-billion mixed-use development. The development includes six mid-rise residential towers, private villas, a hotel, a convention center, and a commercial center.
- In the local fixed income space, prices of government securities rose as investors remain cautiously optimistic over the results of President Duterte's China state visit. Yields decreased by an average of 1.51 bps, as the short-, belly, and long-end of the curve fell by 2.2, 0.7, and 2.0 bps, respectively.
- The Peso traded sideways with an upward bias against the US Dollar as US presidential elections keep investors on their toes. While Clinton leads Trump in several polls, investors may not be willing to be convinced until the final numbers are in. The USD / PHP pair fell by 6.0 centavos or 0.12%, closing at 48.100.

## US and Europe

- US stocks reversed the gains made the previous day as oil prices plummeted once again on profit-taking. The Dow Jones Industrial Average lost 40.27 points, or -0.22%, to 18,162.35 while the S&P 500 fell 2.95 points, or -0.14%, to 2,141.34.
- US home re-sales increased 3.2% to a seasonally adjusted annual rate of 5.47 million in September. At this pace of sales, it is estimated that supply of previously owned homes will be cleared from the market in 4.5 months, better than the 4.8 months' worth of inventory the previous month. The median price of an existing home rose 5.6% to US\$234,200.
- Initial jobless claims in the US rose 13,000 to a seasonally adjusted 260,000 in the week ended October 15. This is worse than market estimates of 250,000. This brings the four-week moving average to rise by 2,250 to 251,750. Meanwhile, continuing unemployment claims increased 7,000 to 2,057,000 in the week ended October 8.
- US Treasuries inched lower after the European Central Bank kept its interest rates on hold. The two-year note yield rose by 2.44 bps to 0.819% level while the 10-year bond yield gained 1.24 bps to 1.756%.
- European markets marginally rose yesterday as ECB indicated continuation of monetary stimulus. As expected, the ECB left interest rates unchanged at 0%, said it expects to hold rates at current levels "for an extended period of time." and made no changes to its €80 Bn per month quantitative easing program. The FTSE 100 (United Kingdom), CAC 40 (France), and DAX (Germany) increased by 4.98 pts, 19.82 pts, and 55.71 pts DoD, respectively. The FTSEurofirst 300 Index rose by 0.24%, closing at 1,358.60.
- The US dollar traded flat with a slight downward bias relative to the Euro as the combination of pronouncements from ECB supporting accommodative monetary stance and the weaker than expected US jobless benefits numbers provided enough reason for investors to slightly prefer the Euro. The EUR/USD pair fell by 0.10 cents (-0.19%) to close at the 1.0975 level.

## Asia Pacific

- Asian markets were mixed but net positive yesterday as the MSCI AC Asia Pacific Index gained 0.11%, to close at 140.18. In Japan, real estate developers led the rally after Nikkei reported that Nomura Real Estate will achieve its house sales plan for this fiscal year given 80% of its planned sales were complete as of the end of September, suggesting strength in the real estate department. While in Indonesia, the central bank surprised by cutting the benchmark 7D reverse repo rates by 25bps to 4.75% with consensus seeing it unchanged at 5.00%.

## Key Indicators

EQUITIES BENCHMARK INDICES					
	20-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,713.32	-0.11%	5.49%	0.54%	10.95%
MSCI World USD Index	1,704.04	-0.16%	0.85%	0.05%	2.48%
MSCI All Country Asia Pacific ex-Japan Total Returns	395.51	0.38%	1.82%	1.12%	12.43%
MSCI Europe USD Index	1,449.18	-0.14%	1.65%	-0.90%	-4.82%
FTSEurofirst 300 Index	1,358.60	0.24%	2.62%	1.22%	-5.49%
Dow Jones Industrial Average Index	18,162.35	-0.22%	0.35%	0.18%	4.23%
Standard & Poor's 500 Index	2,141.34	-0.14%	0.41%	0.07%	4.77%
YIELDS AND PRICES					
	20-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.2151	-0.01%	-0.19%	-1.17%	-1.45%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.7333	-0.06%	-0.06%	-0.05%	-0.64%
ROP2021 (Price)	108.378	0.15	0.16	(0.24)	0.02
ROP2034 (Price)	140.931	0.27	(0.48)	(3.25)	10.46
3-Month US Treasury Yield	0.3298	0.00%	0.05%	0.04%	0.17%
2-year US Treasury Yield	0.8190	0.02%	-0.02%	0.04%	-0.23%
10-year US Treasury Yield	1.7556	0.01%	0.01%	0.07%	-0.51%
30-year US Treasury Yield	2.5039	-0.00%	0.03%	0.07%	-0.51%
3-Month German Treasury Bill Yield	-0.864	-0.00%	0.00%	-0.13%	-0.33%
Dubai Crude Oil Spot (\$/bbl)	48.35	-0.84%	-1.57%	13.85%	50.48%
1-month Nymex oil futures (\$/bbl)	50.43	-2.27%	-0.02%	16.09%	36.15%
Gold Spot (\$/oz)	1,265.77	-0.27%	0.61%	-3.73%	19.25%
USD/PHP (PDEX close)	48.100	(0.06)	(0.24)	0.26	1.04

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		October 20, 2016			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	140.18	+	0.16	+ 0.11
Australia	S&P/ASX 200 Index	5,442.14	+	6.78	+ 0.12
China	Shanghai SE Comp Index	3,084.46	-	0.26	- 0.01
Hong Kong	Hang Seng Index	23,374.40	+	69.43	+ 0.30
India	SENSEX	28,129.84	+	145.47	+ 0.52
Indonesia	Jakarta Composite Index	5,403.69	-	5.60	- 0.10
Japan	Nikkei 225	17,235.50	+	236.59	+ 1.39
Malaysia	KLCI	1,667.18	-	1.09	- 0.07
New Zealand	NZX 50 Index	6,973.78	-	2.75	- 0.04
Singapore	Straits Times Index	2,842.62	-	2.00	- 0.07
South Korea	KOSPI	2,040.60	-	0.34	- 0.02
Taiwan	TWSE	9,317.24	+	33.25	+ 0.36
Thailand	SET Index	1,492.73	+	6.45	+ 0.43

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	20-Oct-16	19-Oct-16	Difference		20-Oct-16	19-Oct-16	Difference	
1 month	2.3509	2.3416	+	0.009	4 year	3.1082	3.2027	- 0.095
3 month	1.2151	1.2242	-	0.009	5 year	3.9321	3.9536	- 0.021
6 month	1.5000	1.5243	-	0.024	7 year	3.8496	3.8735	- 0.024
1 year	1.7333	1.7968	-	0.064	10 year	3.8634	3.9433	- 0.080
2 year	2.4745	2.4376	+	0.037	20 year	4.8161	4.7964	+ 0.020
3 year	3.6500	3.5804	+	0.070				

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
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
			10/20/2016	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 21
			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