

## Local

- The local equities market lost ground again today as investor uncertainty trumped potential optimism from President Duterte's Japan state visit. The PSEi lost 29.09 points, or -0.38% to close at 7,580.22. All sectors, except for Financials (+1.05%) and Mining & Oil (+1.32%), were down, led by property firms (-1.23%). Market breadth was marginally positive with 97 advances outnumbering 82 declines, while 47 issues remained unchanged. Total value turnover reached Php6.54 billion. Foreigners were net sellers at Php324.4 million.
- The government believes that Duterte's Japan trip would enhance diplomatic relations and reaffirm the strategic partnership between Manila and Tokyo. Multibillion-dollar worth of deals involving agriculture and energy proposed by three Japanese firms namely Osaka Gas, JFE Engineering, and Yazaki Torres have been in talks. Energy Secretary Alfonso Cusi said that it would help provide employment but would incur high energy cost. On the other hand, Banana importer Farmin Corp. and the government will be signing the memorandum of agreement involving the export of 20 million boxes of bananas a year from Manila to Japan. President Duterte conveyed that he is planning on talking to Prime Minister Shinzo Abe about the lifting of tariff imposition on Philippine bananas which would result to a very good competition with other countries.
- SM Investments Corp (SMIC) is looking to close its acquisition of a minority stake in dormitory builder MyTown later this year. SMIC chief finance officer mention that the company would play the role of a strategic investor in the MyTown deal. MyTown is a dormitory builder organized by Mark Mobius' Templeton Emergin Markets Group and BPI Capital Corp. The company behind it is Philippines Urban Living Solutions Inc. (PULS) which offers 10-20 square meters of affordable units, located at the fringes of Metro Manila central business districts.
- In the local fixed income space, prices of government securities marginally fell as sentiment was mixed over the lack of major catalysts. Yields increased by an average of 1.22 bps, with the short-end, belly, and long-end of the curve rising by 2.3 bps, 0.6 bps, and 0.9 bps, respectively.
- The Peso strengthened against the US dollar as dollar-heavy investors took some gains off the table. The USD / PHP pair rose by 15 centavos or 0.31%, closing at 48.34.

## US and Europe

- US stocks fell after the release of a series of underwhelming earnings results and the decline in consumer confidence. The Dow Jones Industrial Average dropped 53.76 points, or -0.30%, to 18,169.27 while the S&P 500 lost 8.17 points, or -0.38%, to 2,143.16.
- Consumer confidence for the month of October was reported to be at 98.6, falling from 103.5 in September, and missing the market expectations of 101.5. Economists think that the plunge was due to the looming presidential elections and moderating labor market.
- In August, home prices in the US grew 5.32% on a year-on-year basis as measured by the national S&P CoreLogic Case-Shiller Index. This growth was attributed to the positive economic growth, rising prices and wider home affordability.
- US Treasuries rose on average as investors priced in the disappointing consumer confidence data. Nonetheless, the short-end saw pressure due to the soft demand for US\$26 billion two-year notes. The two-year note yield rose by 1.24 bps to 0.852% level while the 10-year bond yield fell by 0.87 bps to 1.756%.
- European markets were lost ground again as hawkish statements from ECB's Mario Draghi spooked investors. "We would certainly prefer not to have to keep interest rates at such low levels for an excessively long time, since the unwelcome side-effects may accumulate over time," Draghi said. The FTSE 100 (United Kingdom) rose by 31.24 pts while CAC 40 (France) and DAX (Germany) fell by 11.74 pts and 3.86 pts, respectively. The FTSEurofirst 300 Index fell by 0.29%, closing at 1,354.56.
- The US dollar traded flat with a slight downward bias relative to the Euro as hawkish statements from ECB's Mario Draghi went on top of weaker manufacturing data from the Federal Reserve Bank of Richmond, indicating falling new orders and backlogs and flattening in shipments. The EUR/USD pair fell by 0.05 cents (-0.05%) to close at the 1.0889 level.

## Asia Pacific

- Asian markets marginally gained yesterday as the MSCI AC Asia Pacific Index gained 0.41%, to close at 140.42 despite the release of Korean data pointing to a slowdown. South Korea gross domestic product grew 2.7% year-on-year in the third quarter, down from a 3.3% gain in the prior three-month period, according to preliminary data from the Bank of Korea. Business investment declined in the country amid frail private consumption and weak exports. On the other hand, Japanese stocks were up after solid U.S. manufacturing data increased speculation about a U.S. rate increase in December, which boosted the dollar against the yen.

## Key Indicators

EQUITIES BENCHMARK INDICES					
	25-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,580.22	-0.38%	0.12%	-1.86%	9.04%
MSCI World USD Index	1,701.20	-0.30%	0.01%	-1.65%	2.31%
MSCI All Country Asia Pacific ex-Japan Total Returns	395.81	0.55%	0.45%	-0.83%	12.52%
MSCI Europe USD Index	1,435.88	-0.52%	-0.77%	-3.53%	-5.70%
FTSEurofirst 300 Index	1,354.56	-0.29%	0.27%	-0.37%	-5.77%
Dow Jones Industrial Average Index	18,169.27	-0.30%	0.04%	-0.50%	4.27%
Standard & Poor's 500 Index	2,143.16	-0.38%	0.17%	-0.99%	4.85%
YIELDS AND PRICES					
	25-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.4768	0.16%	0.22%	-1.27%	-1.19%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.5954	-0.03%	-0.32%	-0.53%	-0.78%
ROP2021 (Price)	108.410	0.01	0.23	(0.56)	0.05
ROP2034 (Price)	140.681	(0.21)	0.08	(5.71)	10.21
3-Month US Treasury Yield	0.3298	0.01%	-0.01%	0.16%	0.17%
2-year US Treasury Yield	0.8523	0.01%	0.05%	0.10%	-0.20%
10-year US Treasury Yield	1.7560	-0.01%	0.02%	0.14%	-0.51%
30-year US Treasury Yield	2.4985	-0.02%	-0.01%	0.15%	-0.52%
3-Month German Treasury Bill Yield	-0.856	0.01%	0.00%	-0.11%	-0.32%
Dubai Crude Oil Spot (\$/bbl)	47.81	-0.46%	-0.93%	7.03%	48.80%
1-month Nymex oil futures (\$/bbl)	49.96	-1.11%	-0.66%	12.32%	34.88%
Gold Spot (\$/oz)	1,273.73	0.73%	0.89%	-4.78%	20.00%
USD/PHP (PDEX close)	48.340	0.15	0.14	0.35	1.28

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
		Last Trade as of	October 25, 2016		
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	140.42	+	0.41	+ 0.29
Australia	S&P/ASX 200 Index	5,442.83	+	34.34	+ 0.63
China	Shanghai SE Comp Index	3,131.94	+	3.69	+ 0.12
Hong Kong	Hang Seng Index	23,565.11	-	38.97	- 0.17
India	SENSEX	28,091.42	-	87.66	- 0.31
Indonesia	Jakarta Composite Index	5,397.82	-	23.18	- 0.43
Japan	Nikkei 225	17,365.25	+	130.83	+ 0.76
Malaysia	KLCI	1,677.43	-	0.33	- 0.02
New Zealand	NZX 50 Index	7,002.87	+	44.47	+ 0.64
Singapore	Straits Times Index	2,854.05	-	2.63	- 0.09
South Korea	KOSPI	2,037.17	-	10.57	- 0.52
Taiwan	TWSE	9,385.65	+	63.15	+ 0.68
Thailand	SET Index	1,506.47	+	6.10	+ 0.41

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	25-Oct-16	24-Oct-16	Difference		25-Oct-16	24-Oct-16	Difference	
1 month	1.4429	1.4571	-	0.014	4 year	3.0840	3.1260	- 0.042
3 month	1.4768	1.3184	+	0.158	5 year	3.9268	3.9179	+ 0.009
6 month	1.3991	1.4230	-	0.024	7 year	3.8343	3.8570	- 0.023
1 year	1.5954	1.6243	-	0.029	10 year	3.8008	3.7921	+ 0.009
2 year	2.6008	2.5418	+	0.059	20 year	4.8161	4.7982	+ 0.018
3 year	3.7054	3.6804	+	0.025				

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
10/28/2016	Philippines Commercial Banks Loans Outstanding Total Gross YoY	Sep	10/26/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Oct 21
10/28/2016	Philippines Commercial Banks Loan Outstanding Total Net YoY	Sep	10/27/2016	US Initial Jobless Claims SA	Oct 22
11/4/2016	Philippines CPI All items YoY% 2006=100	Oct	10/27/2016	US Durable Goods New Orders Industries MoM SA	Sep P
11/4/2016	Philippines CPI All items MoM% 2006=100	Oct	10/28/2016	GDP US Chained 2009 Dollars QoQ SAAR	3Q A
			10/28/2016	University of Michigan Consumer Sentiment Index	Oct F
			11/1/2016	ISM Manufacturing PMI SA	Oct
			11/3/2016	Federal Funds Target Rate - Upper Bound	Nov 2
			11/3/2016	US Manufacturers New Orders Total MoM SA	Sep
			11/4/2016	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Oct
			11/4/2016	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Oct

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