

## Local

- The local equities continued its decline yesterday, tracking overnight markets digesting weak corporate earnings and economic data coming from the US. The PSEi lost 49.27 points, or -0.66% to close at 7,445.14. All sectors except for financials (+0.12%) ended in red, led by the industrials (-1.25%) and property (-0.75%). Market breadth was negative with 102 declines outnumbering 75 advances, while 41 issues remained unchanged. Total value turnover reached Php6.50 billion. Foreigners were net sellers at Php563.95 million.
- Metropolitan Bank and Trust Co. (MBT) reported net income fell 12.56% YoY to Php12.6bn for the first nine months of 2016. This was despite the 23% gain in the non-interest income and 26% surge in the net loans and receivables. The net interest income was at Php39bn. The CASA ratio increased to 63% after CASA deposits rose to Php790bn (+21% YoY).
- The Information Technology and Business Processing Association of the Philippines (IBPAP) released its latest industry road map, pegging BPO industry revenues at USD38.9 billion in six years on the back of shifting to mid- and high-level jobs and a diversified portfolio. Board of Trustees Vice Chairperson Manolito Tayag said that share in the global market will increase to 15.5% in 2022 from this year's 12.6%, on global industry growth of 6%. This translates to a compounded annual growth rate of 9.2%, a deceleration from the previous six years' 17%.
- In the local fixed income space, prices of government securities marginally fell as investors continued to take profit ahead of US 3rd quarter GDP data, repositioning towards the belly of the curve and a more neutral duration. Yields rose by an average of 1.91 bps, with the short-and long-end of the curve rising by 4.2 bps and 20.4 bps, respectively while the belly fell by 11 bps.
- The Peso traded sideways with a downward bias against the US dollar as investor consensus of a December US fed rate hike continues to grow, despite weak corporate and economic data coming from the US. The Peso weakened by 14 centavos or 0.28%, closing at 48.470.

## US and Europe

- With the clear indication of strong earnings, Wall Street investors were quick to take profit after global bond sell-off. The Dow Jones Industrial Average Index fell 0.16% while the S&P 500 declined by 0.30%.
- Durable goods orders for September amounted to USD227.3 billion was down 0.1% from August—this is below market estimate of 0.1% growth. The August number was revised to +0.3% from +0.1%. Without transportation, orders were up 0.2%, in-line with expectations. Non-defense capital goods orders excluding aircraft—a proxy for business investment—was down 1.2%, weaker than expected 0.1% decline.
- The first estimate of UK's third quarter GDP printed +0.5% on a quarter-on-quarter basis. This is above consensus expectation of +0.3%. The services sector, accounting for 79% of the economy, drove the GDP increase, with +0.8% QoQ growth. This compensated for the decline in industrial production (15% of the economy, -0.8% QoQ), construction (6% share, -0.4% QoQ), and agriculture (1%, -0.7% QoQ). This is the first GDP print following the Brexit.
- US Treasury prices fell as seemingly good data from the United Kingdom, as well as statements of BOJ's Kuroda, cast doubts on further monetary policy expansion. Reduced expectation of additional easing caused the US 10-year yield to rise 6.05 bps, ending at 1.854.
- European markets closed narrowly up yesterday as investor sentiment remained unchanged on balance from positive pharmaceutical and banking earnings and negative ECB rate implications of a stronger-than-expected 3<sup>rd</sup> quarter GDP growth. Deutsche Bank was up 0.6% as 3<sup>rd</sup> quarter profit positively surprised investors on improvements in the bond trading business. The FTSE 100 (United Kingdom) and DAX (Germany) rose by 28.48 pts and 7.40 pts, respectively, while CAC 40 (France) fell by 1.02 pts. The FTSEurofirst 300 Index rose by 0.07%, closing at 1,350.73.
- The US dollar traded flat with a slight downward bias relative to the Euro as a stronger than expected 3<sup>rd</sup> quarter UK GDP Growth figure indicated an improving Euro economy and increased the likelihood of an ECB tightening. The EUR/USD pair fell by 0.05 cents (-0.05%) to close at the 1.0916 level.

## Asia Pacific

- Asian markets marginally fell yesterday as the MSCI AC Asia Pacific Index lost 0.81%, to close at 138.78. The decline was driven by lower oil prices and weak economic data coming from China. China recorded 7.7% on-year growth in industrial profits for the month, sharply down from the 19.5% growth the previous month, according to the National Bureau of Statistics. Furthermore, Investors are increasingly concerned that the Organization of the Petroleum Exporting Countries won't reach consensus on a production-cut deal.

## Key Indicators

| <b>EQUITIES BENCHMARK INDICES</b>                    | <b>27-Oct-16</b> | <b>DoD change</b> | <b>WoW change</b> | <b>MoM change</b> | <b>Ytd change</b> |
|--|------------------|-------------------|-------------------|-------------------|-------------------|
| Philippine Stock Exchange Index                      | 7,445.14         | -0.66%            | -3.48%            | -1.48%            | 7.09%             |
| MSCI World USD Index                                 | 1,694.66         | -0.31%            | -0.55%            | -1.47%            | 1.92%             |
| MSCI All Country Asia Pacific ex-Japan Total Returns | 392.86           | -0.94%            | -0.58%            | -1.22%            | 11.68%            |
| MSCI Europe USD Index                                | 1,438.71         | 0.07%             | -0.72%            | -1.65%            | -5.51%            |
| FTSEurofirst 300 Index                               | 1,350.73         | 0.07%             | -0.58%            | 0.87%             | -6.04%            |
| Dow Jones Industrial Average Index                   | 18,169.68        | -0.16%            | 0.04%             | -0.32%            | 4.27%             |
| Standard & Poor's 500 Index                          | 2,133.04         | -0.30%            | -0.39%            | -1.24%            | 4.36%             |
| <b>YIELDS AND PRICES</b>                             | <b>27-Oct-16</b> | <b>DoD change</b> | <b>WoW change</b> | <b>MoM change</b> | <b>Ytd change</b> |
| 91-Day Philippine Treasury Bill Yield (PDST-R2)      | 1.5464           | -0.01%            | 0.33%             | 0.27%             | -1.12%            |
| 1-Year Philippine Treasury Bill Yield (PDST-R2)      | 1.7714           | 0.18%             | 0.04%             | 0.08%             | -0.60%            |
| ROP2021 (Price)                                      | 108.284          | (0.17)            | (0.09)            | (0.23)            | (0.08)            |
| ROP2034 (Price)                                      | 140.097          | (0.54)            | (0.83)            | (4.72)            | 9.63              |
| 3-Month US Treasury Yield                            | 0.2841           | -0.04%            | -0.05%            | 0.03%             | 0.12%             |
| 2-year US Treasury Yield                             | 0.8863           | 0.02%             | 0.07%             | 0.14%             | -0.16%            |
| 10-year US Treasury Yield                            | 1.8536           | 0.06%             | 0.10%             | 0.30%             | -0.42%            |
| 30-year US Treasury Yield                            | 2.6138           | 0.07%             | 0.11%             | 0.34%             | -0.40%            |
| 3-Month German Treasury Bill Yield                   | -0.873           | -0.01%            | -0.01%            | -0.13%            | -0.33%            |
| Dubai Crude Oil Spot (\$/bbl)                        | 46.55            | 0.84%             | -3.72%            | 8.33%             | 44.88%            |
| 1-month Nymex oil futures (\$/bbl)                   | 49.72            | 1.10%             | -1.41%            | 11.31%            | 34.23%            |
| Gold Spot (\$/oz)                                    | 1,268.40         | 0.11%             | 0.21%             | -4.44%            | 19.50%            |
| USD/PHP (PDEX close)                                 | 48.470           | 0.13              | 0.37              | 0.30              | 1.41              |

Source: Bloomberg

## Asian Equity Markets

| <b>Asia Pacific Markets</b> |                            |                  |            |          |      |
|-----------------------------|----------------------------|------------------|------------|----------|------|
| Last Trade as of            |                            | October 27, 2016 |            |          |      |
| Country                     | Index                      | Value            | DoD Change | % Change |      |
| Asia Pacific                | MSCI AC Asia Pacific Index | 138.78           | -          | 1.14     | 0.81 |
| Australia                   | S&P/ASX 200 Index          | 5,295.55         | -          | 64.25    | 1.20 |
| China                       | Shanghai SE Comp Index     | 3,112.35         | -          | 3.96     | 0.13 |
| Hong Kong                   | Hang Seng Index            | 23,132.35        | -          | 193.08   | 0.83 |
| India                       | SENSEX                     | 27,915.90        | +          | 79.39    | 0.29 |
| Indonesia                   | Jakarta Composite Index    | 5,416.84         | +          | 17.16    | 0.32 |
| Japan                       | Nikkei 225                 | 17,336.42        | -          | 55.42    | 0.32 |
| Malaysia                    | KLCI                       | 1,669.03         | -          | 4.89     | 0.29 |
| New Zealand                 | NZX 50 Index               | 6,941.95         | +          | 45.75    | 0.66 |
| Singapore                   | Straits Times Index        | 2,828.94         | +          | 0.37     | 0.01 |
| South Korea                 | KOSPI                      | 2,024.12         | +          | 10.23    | 0.51 |
| Taiwan                      | TWSE                       | 9,299.55         | -          | 62.70    | 0.67 |
| Thailand                    | SET Index                  | 1,498.36         | +          | 6.24     | 0.42 |

## Local Bond Market

| <b>Peso Interest Rates (PDEX PDST-R2)</b> |           |           |            |         |           |           |            |
|---|-----------|-----------|------------|---------|-----------|-----------|------------|
|   | 27-Oct-16 | 26-Oct-16 | Difference |         | 27-Oct-16 | 26-Oct-16 | Difference |
| 1 month                                   | 1.5339    | 1.5339    | 0.000      | 4 year  | 3.6175    | 3.6393    | - 0.022    |
| 3 month                                   | 1.5464    | 1.5518    | - 0.005    | 5 year  | 3.9304    | 3.9393    | - 0.009    |
| 6 month                                   | 1.3980    | 1.4050    | - 0.007    | 7 year  | 3.8660    | 4.2357    | - 0.370    |
| 1 year                                    | 1.7714    | 1.5916    | + 0.180    | 10 year | 4.4446    | 3.8037    | + 0.641    |
| 2 year                                    | 2.4976    | 2.6286    | - 0.131    | 20 year | 4.8018    | 4.8304    | - 0.029    |
| 3 year                                    | 3.6411    | 3.6607    | - 0.020    |         |           |           |            |

## Upcoming Economic Releases

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