

## Local

November 19, 2014

- Local equities rallied as investors continued to price in the largely positive 3rd quarter earnings results and buoyed by positive economic data releases abroad. The PSEi gained 45.94 points, or 0.64%, to close at 7,275.66. Most sectors ended in the green led by holding firms (1.04%) followed by the property sector (67%). The only sector that weakened today was the industrial sector, as it declined -0.05%. Market breadth was negative, with 88 declines outnumbering 78 advances, while 53 issues remained unchanged. Total value traded reached Php8.01 billion. Foreign investors were net buyers at Php644 million.
- Philippine Long Distance Telephone Co. (PLDT)'s Smart Communications Inc. has tied up with budget airline Cebu Air Inc. to allow inbound tourists to stay online and connected while traveling around the Philippines. Under the strategic partnership agreement, passengers aboard the inbound international flights of Cebu Pacific could purchase the Cebu Pacific Fun Data SIM powered by SmartBro from the cabin crew inflight beginning December 1, 2014. Michele Curran, first vice president for Data and International Services at Smart said that the partnership is in line with the campaign of the Department of Tourism (DOT) to lure more foreign visitors into the Philippines. This is essentially important as the DOT expects tourist arrivals to grow further in the coming years—as the Aquino administration aims to double tourist arrivals to 10 million by 2016 from roughly 5.7 million this year.
- Data from the Bangko Sentral ng Pilipinas showed that non-performing loans grew faster than loan expansion in August. Universal and commercial banks' non-performing loans grew 6.3% in August compared to the prior month, to Php101.20 billion. On the other hand, loan portfolio only grew 1.66% month-on-month to Php4.59 trillion. As of the end of August, NPL ratio of universal and commercial banks amounted to 2.21%, higher than the 2.11% posted in July but lower than the 2.67% reported last year.
- On the local fixed income space, prices of government securities climbed mainly as a result of high demand for the 5-year treasury bond in the recently concluded auction. Yields declined 5.56 basis points on average led by the belly, which dropped by 11.9 basis points, followed by the long-end, down by 4.1 basis points. The short-end bucked the trend, hiking 1.3 basis points.
- The Philippine peso depreciated against the US Dollar as investors favored the greenback following the GDP disappointment from Japan. The peso lost 7.5 centavos to close at 44.965.

## US and Europe

- US equities rallied buoyed by the gains in the healthcare sector due to the \$66 billion deal by Actavis for Allergan and as a gauge of sentiment among US home builders increased to nine year high. The S&P 500 index gained 11.21 points to close at 2,051.8, while the Dow Jones Industrial Average rose 40 points to close at 17,687.8.
- Reports from the National Association of Home Builders/Wells Fargo showed that the gauge of confidence among home builders rebounded this month led by more optimism over present and upcoming sales of single-family homes. The gauge rose four points to 58 in November, which is near the highest level in nine years. It is important to note that November marks the fifth consecutive month of above-50 readings.
- According to the U.S. Bureau of Labor Statistics, the Producer Price Index for final demand rose a seasonally adjusted rate of 0.2 percent in October. This increase followed a 0.1-percent decline in September and no change in August. On an unadjusted basis, the index for final demand advanced 1.5 percent for the 12 months ended in October, the smallest 12-month increase since a 1.2-percent rise in February 2014.
- US Treasuries slightly rose as Industrial Production (October) and Capacity Utilization (October) data failed to deviate from expectations. The two-year note yield traded sideways to close at 0.504%, while the 10-year yield fell 2.0 bps to 2.315%.
- European equities climbed as German stocks surged after a closely watched survey indicated the mood in Europe's largest economy appears to have improved. The FTSEurofirst 300 index climbed 0.61% to close at 1,360.22.
- The dollar rose against the euro as investors prepare for U.S. monetary policy to grow less accommodative while Europe moves in the opposite direction. The Euro lost 0.0038 against the USD to close at 1.2488.

## **Asia Pacific**

- Asian equities ended mixed mainly due to country-specific factors. Japan's Nikkei climbed 2.18%, in anticipation of Prime Minister Shinzo Abe's announcement of a postponement in consumption tax hikes originally scheduled next year. The Shanghai Composite and the Hang Seng Index, on the other hand, dropped 0.71% and 1.13%, respectively, after lackluster trading through the Stock Connect yesterday.

## Key Indicators

<b>EQUITIES BENCHMARK INDICES</b>	<b>18-Nov-14</b>	<b>DoD change</b>	<b>WoW change</b>	<b>MoM change</b>	<b>Ytd change</b>
Philippine Stock Exchange Index	7,275.66	0.64%	0.99%	3.89%	23.53%
MSCI World USD Index	1,728.23	0.77%	0.66%	7.11%	4.48%
MSCI All Country Asia Pacific ex-Japan Total Returns	394.55	-0.20%	-0.88%	3.03%	5.23%
MSCI Europe USD Index	1,651.89	1.21%	0.92%	4.39%	-5.93%
FTSEurofirst 300 Index	1,360.22	0.61%	0.11%	6.25%	3.49%
Dow Jones Industrial Average Index	17,687.82	0.23%	0.41%	7.98%	7.34%
Standard & Poor's 500 Index	2,051.80	0.51%	0.59%	8.75%	11.43%
<b>YIELDS AND PRICES</b>	<b>18-Nov-14</b>	<b>DoD change</b>	<b>WoW change</b>	<b>MoM change</b>	<b>Ytd change</b>
91-Day Philippine Treasury Bill Yield (PDST-F)	1.5273	0.01%	-0.03%	0.10%	1.04%
1-Year Philippine Treasury Bill Yield (PDST-F)	1.9705	0.02%	-0.00%	0.08%	1.04%
ROP2021 (Price)	107.462	0.02	0.41	0.24	3.84
3-Month US Treasury Yield	0.0101	0.01%	-0.01%	-0.01%	-0.05%
2-year US Treasury Yield	0.5042	-0.00%	-0.03%	0.13%	0.12%
10-year US Treasury Yield	2.3151	-0.02%	-0.05%	0.12%	-0.68%
30-year US Treasury Yield	3.0383	-0.02%	-0.05%	0.07%	-0.90%
3-Month German Treasury Bill Yield	-0.097	0.00%	0.03%	0.03%	-0.16%
Dubai Crude Oil Spot (\$/bbl)	75.93	1.95%	-3.69%	-11.39%	-30.14%
1-month Nymex oil futures (\$/bbl)	74.61	-1.36%	-4.27%	-9.84%	-25.63%
Gold Spot (\$/oz)	1,196.99	0.88%	2.81%	-3.34%	-1.35%
USD/PHP (PDEX close)	44.965	0.08	0.02	0.06	0.57

Source: Bloomberg

## Asian Equity Markets

<b>Asia Pacific Markets</b>				
Last Trade as of		November 18, 2014		
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pacific Index	140.65	+ 0.88	+ 0.63
Australia	S&P/ASX 200 Index	5,399.69	- 12.86	- 0.24
China	Shanghai SE Comp Index	2,456.37	- 17.64	- 0.71
Hong Kong	Hang Seng Index	23,529.17	- 267.91	- 1.13
India	SENSEX	28,163.29	- 14.59	- 0.05
Indonesia	Jakarta Composite Index	5,102.47	+ 48.53	+ 0.96
Japan	Nikkei 225	17,344.06	+ 370.26	+ 2.18
Malaysia	KLCI	1,818.38	+ 11.90	+ 0.66
New Zealand	NZX 50 Index	5,505.03	+ 14.80	+ 0.27
Singapore	Straits Times Index	3,313.73	+ 25.06	+ 0.76
South Korea	KOSPI	1,967.01	+ 23.38	+ 1.20
Taiwan	TWSE	8,859.07	- 25.32	- 0.28
Thailand	SET Index	1,581.27	+ 12.20	+ 0.78

## Local Bond Market

<b>Peso Interest Rates (PDEX PDST-R2)</b>							
	18-Nov-14	17-Nov-14	Difference		18-Nov-14	17-Nov-14	Difference
1 month	1.5000	1.5000	0.000	4 year	2.8300	2.8873	- 0.057
3 month	1.3750	1.3750	0.000	5 year	3.3015	3.7500	- 0.449
6 month	1.6250	1.6750	- 0.050	7 year	3.7000	3.7750	- 0.075
1 year	1.8000	1.7000	+ 0.100	10 year	3.8133	3.8647	- 0.051
2 year	2.3750	2.3750	0.000	20 year	5.0000	5.0000	0.000
3 year	2.4508	2.4654	- 0.015	25 year	4.6577	4.7278	- 0.070

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
11/19/2014	Philippines BOP	Oct	11/19/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Nov 14
11/25/2014	Philippines External Balance of Trade	Sep	11/19/2014	US New Privately Owned Housing Units Started by Structure Total SAAR	Oct
11/25/2014	Philippines External Trade Imports YoY	Sep	11/20/2014	US Initial Jobless Claims SA	Nov 15
11/25/2014	Philippines External Trade Imports	Sep	11/20/2014	US CPI Urban Consumers MoM SA	Oct
11/27/2014	Philippines GDP Constant 2000 Prices YoY	3Q	11/20/2014	US Existing Homes Sales SAAR	Oct
11/27/2014	Philippines National Accounts GDP Constant 2000 Prices QoQ SA	3Q	11/25/2014	GDP US Chained 2009 Dollars QoQ SAAR	3Q S
11/28/2014	Philippines Commercial Banks Loans Outstanding Total Gross YoY	Oct	11/25/2014	Conference Board Consumer Confidence SA 1985=100	Nov
			11/26/2014	US Durable Goods New Orders Industries MoM SA	Oct
			11/26/2014	US Personal Income MoM SA	Oct

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones