

Local

- The local equities market inched up, saved by market-on-close orders, as investors hunted for bargains after the index fell below the 6,800-level. The PSEi rose 12.02 points, or +0.18%, to close at 6,880.91. Most of the sectors ended in green, led by the financials (+1.02%) and property (+0.34%). Market breadth was slightly positive with 88 advances outnumbering 87 declines, while 47 issues remained unchanged. Total value turnover reached Php7.21 billion. Foreigners were net sellers at Php1.11 billion.
- Unemployment for October was at its lowest in 10 years. According to director-general of NEDA, Ernesto M. Pernia, lower unemployment for the month brings the implied full-year unemployment rate to 5.5%. Government unemployment target is at 6.5% to 6.7%. The Labor force survey conducted by the Philippine Statistics Authority tallied a total of 2.04 million unemployed Filipinos or 4.7% unemployment. The employment rate rose to 95.3% from 94.4% in October 2015 while the labor force participation rate increased to 63.6% from 63.3%.
- Philippine Airlines (PSE ticker: PAL) sets its eyes on Clark expansion. A memorandum of agreement was signed by PAL President, Jaime J. Bautista, and Clark International Airport Corporation stating the intention to operate domestic and international flights in the area. According to Bautista, outlook for 2017 is challenging for the airline industry. PAL is looking to boost its revenue by maximizing the use of its newly delivered airplanes through additional flights in new hubs, Clark being one of them.
- Prices of local fixed income securities traded flat with a slight downward bias as investors took profit from the previous day's gains. On average, the curve rose by 12.75 bps with the increase led by the belly at 28 bps. Meanwhile, the short-end rose by 4.1 bps and the long-end fell by 1.1 bps.
- The Philippine peso strengthened against the US dollar despite Foreign Direct Investments (FDI) in the Philippine for September being down 69% YoY. On the other hand 9M16 FDIs still up 25% YoY to \$ 5.87 Bn, with equity placements down 17.8%YoY for that period. The peso appreciated by 5 centavos or 0.09%, closing at 49.775 to a dollar.

US and Europe

- US equities extended gains ahead of the Federal Reserve meeting as the interest rate hike becomes virtually certain. The Dow Jones Industrial Average index rallied for the seventh straight session, almost reaching the 20,000-level. It added 114.78 points, or +0.58%, to close at 19,911.21 while the S&P 500 rose 14.76 points, or +0.65%, to end at 2,271.72.
- The National Federation of Independent Business' small business optimism index surged to 98.4 in November, beating market estimate of 96.7, and higher than the October print of 94.9. The improvement was attributed to Trump's victory which is expected to result to an increase in business activity, including hiring and expansions. They noted that the reading was the largest gain since April 2009.
- For the month of November, US import prices fell 0.3% on a month-on-month basis. This is slightly better than market expectation of -0.4%. Year-on-year, import prices declined by 0.1%. Imported petroleum fell the most at 4.7% after spiking by 7.3% in the prior month. Meanwhile, imported natural gas prices and imported food rose 10.6% and 1.5%, respectively.
- European stocks rose as the FTSEurofirst 300 index gained 1.05% to close at 1,413.27. News reports suggest that investors rallied on the back of a restructuring plan announced by Italy's UniCredit SpA. UniCredit will launch a 13 billion-euro (\$13.8 billion) rights issue by the end of March – a move heralded as a recognition of top management of the problems facing the bank. On the other hand, analysts also noted that this is the fourth time that UniCredit has tapped shareholders for additional funds over the past 8 years.
- US treasuries continued to fall, with the yields on the short-end of the curve rising the most, as the markets priced in the probable Fed rate hike this week. The 2-year note yield increased by 2.25 bps to 1.164% while the 10-year note yield inched up 0.01 bps to 2.471%.
- The EUR/USD was traded flat with a slight upward bias by 0.13% to close at 1.0621. Other than the upcoming US fed meeting, investors were generally concerned albeit positive on restructuring plans for Italy's largest bank as risks of systemic failure and financial contagion are seen to be reduced.

Asia Pacific

- Asian equity indices traded flat with a slight downward bias with the MSCI AC Asia Pacific ex-Japan Index down 0.59% to close at 382.83. News reports suggest that investors held off ahead of the US fed decision this week, as rate increases (much like the one expected this week) typically spook emerging markets given investors' preference to shift assets to the US in the search for yields. Furthermore, China housing-sales growth slowed sharply from October, according to the statistics agency – weighing down the markets.

Key Indicators

EQUITIES BENCHMARK INDICES					
	13-Dec-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,880.91	0.17%	1.10%	-1.35%	-1.02%
MSCI World USD Index	1,774.01	0.78%	2.67%	4.54%	6.69%
MSCI All Country Asia Pacific ex-Japan Total Returns	382.83	-0.59%	0.88%	1.49%	8.83%
MSCI Europe USD Index	1,468.32	1.37%	2.90%	4.03%	-3.57%
FTSEurofirst 300 Index	1,413.27	1.05%	3.86%	6.08%	-1.69%
Dow Jones Industrial Average Index	19,911.21	0.58%	3.43%	5.64%	14.27%
Standard & Poor's 500 Index	2,271.72	0.65%	2.69%	4.96%	11.14%
YIELDS AND PRICES					
	13-Dec-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.3562	-0.42%	-0.19%	-0.20%	-1.31%
1-Year Philippine Treasury Bill Yield (PDST-R2)	2.7629	0.61%	0.19%	-0.48%	0.39%
ROP2021 (Price)	106.616	0.02	0.07	0.35	(1.74)
ROP2034 (Price)	130.491	0.61	0.45	(0.36)	0.02
3-Month US Treasury Yield	0.5330	0.03%	0.05%	0.07%	0.37%
2-year US Treasury Yield	1.1636	0.02%	0.05%	0.25%	0.12%
10-year US Treasury Yield	2.4713	0.00%	0.08%	0.32%	0.20%
30-year US Treasury Yield	3.1312	-0.02%	0.05%	0.20%	0.12%
3-Month German Treasury Bill Yield	-0.918	0.00%	0.01%	-0.05%	-0.38%
Dubai Crude Oil Spot (\$/bbl)	53.05	-1.61%	2.26%	24.30%	65.11%
1-month Nymex oil futures (\$/bbl)	52.98	0.28%	4.03%	22.05%	43.03%
Gold Spot (\$/oz)	1,158.45	-0.33%	-0.97%	-5.65%	9.14%
USD/PHP (PDEX close)	49.775	(0.05)	0.18	0.82	2.72

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets						
Last Trade as of		December 13, 2016				
Country	Index	Value	DoD Change	% Change		
Asia Pacific	MSCI AC Asia Pacific Index	138.53	+ 0.52	+ 0.38		
Australia	S&P/ASX 200 Index	5,545.05	- 17.78	- 0.32		
China	Shanghai SE Comp Index	3,155.04	+ 2.07	+ 0.07		
Hong Kong	Hang Seng Index	22,446.70	+ 13.68	+ 0.06		
India	SENSEX	26,697.82	+ 182.58	+ 0.69		
Indonesia	Jakarta Composite Index	5,293.62	- 14.51	- 0.27		
Japan	Nikkei 225	19,250.52	+ 95.49	+ 0.50		
Malaysia	KLCI	1,645.28	+ 3.86	+ 0.24		
New Zealand	NZX 50 Index	6,850.21	- 25.83	- 0.38		
Singapore	Straits Times Index	2,955.23	+ 3.04	+ 0.10		
South Korea	KOSPI	2,035.98	+ 8.74	+ 0.43		
Taiwan	TWSE	9,382.14	+ 32.20	+ 0.34		
Thailand	SET Index	1,530.21	+ 3.89	+ 0.25		

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	13-Dec-16	12-Dec-16	Difference		13-Dec-16	12-Dec-16	Difference
1 month	1.2253	1.2500	- 0.025	4 year	4.4357	4.4179	+ 0.018
3 month	1.3562	1.7786	- 0.422	5 year	4.8518	4.0900	+ 0.762
6 month	1.9193	1.9214	- 0.002	7 year	5.0696	5.0018	+ 0.068
1 year	2.7629	2.1517	+ 0.611	10 year	5.0429	5.0357	+ 0.007
2 year	4.0196	4.0107	+ 0.009	20 year	5.4875	5.5268	- 0.039
3 year	4.2211	3.6774	+ 0.544				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
12/15/2016	Philippines Overseas Filipino Workers Remittances YoY	Oct	12/14/2016	US PPI Finished Goods SA MoM%	Nov
12/15/2016	Philippines Overseas Filipino Workers Remittances	Oct	12/14/2016	US PPI Finished Goods Less Foods & Energy SA MoM%	Nov
12/19/2016	Philippines BOP	Nov	12/14/2016	US PPI Finished Goods NSA YoY%	Nov
12/22/2016	Central Bank of Philippines Overnight Reverse Repurchase Agreement RRP Rate	Dec 22	12/14/2016	US PPI Finished Goods Less Foods & Energy NSA YoY%	Nov
			12/15/2016	US Initial Jobless Claims SA	Dec 10
			12/15/2016	Federal Funds Target Rate - Upper Bound	Dec 14
			12/15/2016	US CPI Urban Consumers MoM SA	Nov
			12/22/2016	GDP US Chained 2009 Dollars QoQ SAAR	3Q T
			12/22/2016	US Durable Goods New Orders Industries MoM SA	Nov P
			12/23/2016	University of Michigan Consumer Sentiment Index	Dec F

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