

Local

- The local equities market extended gains but on thin volumes as investors continued to pick up heavily sold stocks. The PSEi rose 47.43 points, or +0.69%, to close at 6,928.34. All sectors ended in green, led by the mining and oil (+1.54%) and holding firms (+1.28%). Market breadth was positive with 97 advances outnumbering 73 declines, while 44 issues remained unchanged. Total value turnover reached Php5.86 billion. Foreigners continued to sell to the tune of Php87.4 million.
- BSP's 28-day term deposit facility (TDF) were undersubscribed as it only attracted Php127.487 billion in tenders, below the Php150 billion offering. BSP accepted the bids for the 28-day TDF at 3-3.5% yield. On the other hand, their 7-day term deposits was in demand as yield soared to 2.9976% coming from last week's 2.914% attracting bids amounting to Php59.11 billion or almost double the offering of Php30 billion. According to BSP Governor, Mr. Tetangco, such demand for the 7-day TD was due to seasonality and market cautiousness as the Fed announced their rate hike last Thursday.
- 8990 Holdings Inc. (PSE ticker: HOUSE) will set aside around Php12.5 billion as they plan to acquire land and pursue more housing projects as they expect to grow their earnings by 20% next year. According to its President and CEO Januario Atencio III that they will likely allocate Php3 to Php5 billion for landbanking activities and Php7.5 billion on project developments. In 2017, 8990 Holdings will launch at least 8 residential projects in places like Ortigas Center, Pasig and Davao City.
- Prices of local fixed income securities traded flat with a slight upward bias on the back of bargain hunting leading up to the US fed rate hike. On average, the curve fell by 8.38 bps led by the belly which fell by 24.9 bps and the long-end which fell by 16.3 bps. Meanwhile, the short-end rose by 18.2 bps.
- The Philippine peso weakened against the US dollar despite statements from the Asian Development Bank (ADB) reaffirming its Philippine GDP forecasts of 6.8% for 2016 and 6.4% for 2017. The peso appreciated by 5 centavos or 0.09%, closing at 49.730 to a dollar.

US and Europe

- US equities retreated after the Fed's decision to finally hike rates and after it indicated a faster pace of rate increases for the succeeding years. The Dow Jones Industrial Average index lost 118.68 points, or -0.60%, to close at 19,792.53 while the S&P 500 fell 18.44 points, or -0.81%, to end at 2,253.28.
- US retail sales moderated in November, growing by only 0.1% MoM to US\$465.5 billion. Auto sales fell 0.5%, sales at building material stores rose 0.3%, receipts at clothing stores were flat, sales at online retailers inched up 0.1%, receipts at restaurants and bars jumped 0.8%, and sales at sporting goods and hobby stores fell 0.1%.
- US industrial production fell by 0.4% MoM in November, worse than the 0.2% expected decline. This was due to the steep drop in utility output. Its biggest component, manufacturing output, sank 0.1%. Capacity utilization dropped to 75%.
- European stocks marginally fell as the FTSEurofirst 300 index lost 0.47% to close at 1,406.67. News reports suggest that the decline was attributable to weakness in financials ahead of the US fed rate meeting. Greece's ASE Athens SE index fell 3.2% after the euro zone's bailout fund said it had put short-term debt relief measures for the country on hold after the Greek government surprised by announcing it would boost welfare benefits for low-income pensioners.
- US treasuries continued their downtrend as yields surged after investors reacted to the December Fed rate hike along with upward shift in the dot plots towards 3 instead of 2 expected rate hikes for 2017. Front-end yields reached their highest levels since 2009 with the two-year note yield climbing 10.4bps to 1.267% while the 10-year bond yield rose 9.9bps to 2.571%.
- The EUR/USD was traded flat with a slight upward bias by 0.03% to close at 1.0618. News reports suggest that investors generally stayed on the sidelines as the US Fed meeting results unfolded. The Federal Reserve, as expected, raised the federal funds rate by 25bps to 0.50%-0.75% and pencilled in three rate increases for 2017. If that was to play out it would take the overnight target rate to a median level of 1.4%, up from their 1.1% forecast in September.

Asia Pacific

- Asian equity indices were mostly down ahead of the FOMC meeting. Investors continued to wait for more guidance from statements from America's central bank. Nevertheless, the MSCI AC Asia Pacific Index increased by 0.10 points with gainers led by the S&P/ASX 200 Index up by 0.71%. On the other hand, the Shanghai SE Comp Index fell by 14.51 points or 0.46%.

Key Indicators

EQUITIES BENCHMARK INDICES	14-Dec-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,928.34	0.69%	0.90%	0.83%	-0.34%
MSCI World USD Index	1,763.72	-0.58%	0.82%	4.22%	6.07%
MSCI All Country Asia Pacific ex-Japan Total Returns	383.68	0.22%	0.54%	2.89%	9.07%
MSCI Europe USD Index	1,462.80	-0.38%	1.26%	4.68%	-3.93%
FTSEurofirst 300 Index	1,406.67	-0.47%	2.41%	5.35%	-2.15%
Dow Jones Industrial Average Index	19,792.53	-0.60%	1.24%	4.90%	13.59%
Standard & Poor's 500 Index	2,253.28	-0.81%	0.53%	4.12%	10.24%
YIELDS AND PRICES	14-Dec-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.8000	0.44%	0.27%	0.23%	
1-Year Philippine Treasury Bill Yield (PDST-R2)	2.4667	-0.30%	0.37%	-0.86%	0.10%
ROP2021 (Price)	106.649	0.03	0.02	1.37	(1.71)
ROP2034 (Price)	130.670	0.18	0.36	2.94	0.20
3-Month US Treasury Yield	0.5330	0.00%	0.04%	0.02%	0.37%
2-year US Treasury Yield	1.2673	0.10%	0.17%	0.27%	0.22%
10-year US Treasury Yield	2.5707	0.10%	0.23%	0.31%	0.30%
30-year US Treasury Yield	3.1799	0.05%	0.16%	0.17%	0.16%
3-Month German Treasury Bill Yield	-0.916	0.00%	-0.02%	-0.15%	-0.38%
Dubai Crude Oil Spot (\$/bbl)	52.35	-1.32%	2.67%	25.12%	62.93%
1-month Nymex oil futures (\$/bbl)	51.04	-3.66%	2.55%	17.82%	37.80%
Gold Spot (\$/oz)	1,142.90	-1.34%	-2.62%	-6.42%	7.68%
USD/PHP (PDEX close)	49.730	(0.05)	(0.02)	0.53	2.67

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		December 14, 2016			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	138.63	+ 0.10	+ 0.07	
Australia	S&P/ASX 200 Index	5,584.62	+ 39.57	+ 0.71	
China	Shanghai SE Comp Index	3,140.53	- 14.51	- 0.46	
Hong Kong	Hang Seng Index	22,456.62	+ 9.92	+ 0.04	
India	SENSEX	26,602.84	- 94.98	- 0.36	
Indonesia	Jakarta Composite Index	5,262.82	- 30.80	- 0.58	
Japan	Nikkei 225	19,253.61	+ 3.09	+ 0.02	
Malaysia	KLCI	1,643.29	- 1.99	- 0.12	
New Zealand	NZX 50 Index	6,797.86	- 52.35	- 0.76	
Singapore	Straits Times Index	2,954.06	- 1.17	- 0.04	
South Korea	KOSPI	2,036.87	+ 0.89	+ 0.04	
Taiwan	TWSE	9,368.52	- 13.62	- 0.15	
Thailand	SET Index	1,521.25	- 8.96	- 0.59	

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	14-Dec-16	13-Dec-16	Difference		14-Dec-16	13-Dec-16	Difference
1 month	1.7893	1.2253	+ 0.564	4 year	3.9778	4.4357	- 0.458
3 month	1.8000	1.3562	+ 0.444	5 year	4.8368	4.8518	- 0.015
6 month	1.9357	1.9193	+ 0.016	7 year	4.9321	5.0696	- 0.138
1 year	2.4667	2.7629	- 0.296	10 year	4.5622	5.0429	- 0.481
2 year	3.9850	4.0196	- 0.035	20 year	5.4786	5.4875	- 0.009
3 year	3.6216	4.2211	- 0.600				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
12/15/2016	Philippines Overseas Filipino Workers Remittances YoY	Oct	12/15/2016	US Initial Jobless Claims SA	Dec 10
12/15/2016	Philippines Overseas Filipino Workers Remittances	Oct	12/15/2016	US CPI Urban Consumers MoM SA	Nov
12/19/2016	Philippines BOP	Nov	12/16/2016	US New Privately Owned Housing Units Started by Structure Total SAAR	Nov
12/22/2016	Central Bank of Philippines Overnight Reverse Repurchase Agreement RRP Rate	Dec 22	12/21/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Dec 9
			12/21/2016	US Existing Homes Sales SAAR	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
			12/22/2016	US Personal Income MoM SA	Nov
			12/22/2016	US Personal Consumption Expenditures Nominal Dollars MoM SA	Nov
			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