

Daily Matters

February 3, 2017

MARKET INDICATORS

As of February 2, 2017

Index/ Bond	Index Level/Yield	DoD Change	DoD % Change
PSEi	7,225.91	-1.54	-0.02%
Dow Jones	19,884.91	-6.03	-0.03%
S&P500	2,280.85	1.30	0.06%
Nasdaq	5636.20	-6.45	-0.11%
MSCI Asia ex-Japan	548.21	0.02	0.00%
MSCI Emerging Market	915.21	2.21	0.24%
5Yr FXTN	3.90	-3 bps	
10 Yr US Treasury	2.47	0 bps	
USD/PHP	49.68	-0.07	-0.14%

Source: Bloomberg

NEWS IN THE PHILIPPINES

DENR to shutdown 23 large-scale mines; U.S. Fed decision sending hints to BSP

- The Department of Environment and Natural Resources (DENR) ordered the shutdown of 23 large-scale mining operations on Thursday. According to a former Mines and Geosciences Bureau Director, this decision could cut GDP by half (0.5) a percentage point and decrease the country's nickel production by about 50%. Subject to an appeal, the mines are set to close as a result of massive environmental damage, according to the DENR. However, the Chamber of Mines of the Philippines (COMP) is standing by its members and is questioning the DENR's decision further.

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- On Tuesday, the U.S. Federal Reserve (Fed), as was expected, decided to keep interest rates and policy settings where they are. In the Philippines, the BSP is making sure to take note of the decision as they gear up for their first meeting of the year on February 9th. During the last rate-setting meeting, the BSP kept the rates frozen in order to weigh the potential impact of a number of economic developments on the horizon. Next week, in accordance with the Fed, we should not expect any more than a 1 percentage point change attributed to steady inflation dynamics and risks.

Local Bond Market

- The yield of the benchmark 5-year bond fell by 3 bps and closed at 3.90.
- The local fixed income securities had a slightly negative reaction day-on-day, as markets continued to remain cautious ahead of the U.S Federal Reserve meeting that occurred last night. 3 yields were stagnant and had no change while 7 were negative and 1 was positive throughout the day. The biggest fall came from the 2-year bond at 1613 bps.

Philippine Stocks

- Local equities dropped on Thursday's session the DENR's decision to shut down 23 mines increased investor uncertainty. Many investors stayed on the sidelines during the height of U.S. President Donald J. Trump's policy decisions last week, but those who were brave enough to invest were affected by the DENR's announcement. The PSEi closed at 7,225.91 on Thursday shedding 1.54 points or 0.02%.

Philippine Peso

- The peso strengthened against the dollar after Thursday's session closing at 49.68. The gain was attributed to the U.S. Federal Reserve declaring that it was not ready to raise interest rates as a result of Trump's policy uncertainties.

NEWS AROUND THE WORLD

U.S. Initial Jobless Claims continues to decline; UK construction slowest since Brexit

- The U.S. Initial Jobless Claims data was released yesterday and showed that the number of Americans applying for unemployment benefits fell last week. The number declined by 14,000 to a seasonally adjusted 246,000, which is lower than the 251,000 expectation. The data means that claims have remained below 300,000 for 100 consecutive weeks, which is hovering at a historically low level that is consistent with a healthy U.S. labor market.
- The UK's construction sector lost momentum in January with business activity growing at the lowest rate since Brexit. The Markit/CIPS UK Construction Purchasing Manager's Index (PMI) came in at 52.2 for January after a 53.8 expectation and a 54.2 December. The data revealed the weakest overall business rise since September 2016 when Brexit recovery began as the three main sub-sectors: housing, commercial and civil engineering all recorded slower growth.

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US Stock Market

- US stocks closed mostly lower on Thursday's session as investors looked over a big batch of earnings from U.S. companies and uncertainties remain around President Trump's policies. The Nasdaq Composite Index closed at 5,636.20 which was 6.45 points or 0.11% lower than Thursday's session. The Dow Jones Industrial Average also fell and closed at 19,884.91 or 0.03% which was 6.03 points lower. Meanwhile the Standard & Poor's 500 Index bucked the trend and rose by 1.30 points or 0.06% to end at a close of 2,280.85.

Asian Stocks

- Asian equity indices barely increased as the MSCI Asia-Ex Japan Index rose 0.00% or just 0.02 points to close at 548.21. Asian stocks are cautious ahead of economic data releases from the U.S. as well as China.

Emerging Markets

- Emerging market equities gained on Thursday following robust factory economic data was released yesterday. The recovery across the U.S., Eurozone, and Japan has been spilling over into the emerging markets and this trend is beginning to show. The MSCI Emerging Markets Index gained 0.24% or 2.21 points, closing at 915.21.

Sources: Bloomberg, Briefing.com, Business World, CNN, Inquirer, PhilStar, Reuters, WSJ

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