

Daily Matters

January 7, 2014

MARKET INDICATORS

As of January 6, 2015

Index/ Bond	Index Level/Yield	DoD Change	DoD % Change
PSEi	7,277.74	1.11	0.02%
Dow Jones	17,371.64	-130.01	-0.74%
S&P 500	2,002.61	-17.97	-0.89%
NASDAQ	4,592.74	-59.83	-1.29%
MSCI Asia ex-Japan	553.29	-8.34	-1.48%
MSCI Emerging Market	934.73	-5.96	-0.63%
5 Yr FXTN	3.24	-3 bps	
10 Yr US Treasury	2.04	-	
USD/PHP	44.93	-0.09	-0.20%

Source: Bloomberg

NEWS IN THE PHILIPPINES

Visitor Arrivals Reach 5M in 2014; BSP Releases Rules for Small Bank's Foreign Exchange Transactions

- Department of Tourism (DOT): Domingo Ramon C. Enerio III, chief operating officer of the Tourism promotions board, said that a preliminary government estimate showed visitor arrivals in 2014 totaled about 5 million and falling short of the government's target of 6.5 million. For 2015, the target is 8.6 million. Though potential demand for visits to the Philippines is increasing, actual travel is still hampered by problems related to airports, infrastructure, and internal travel. Official figures shall be released in February.
- Bangko Sentral ng Pilipinas (BSP): The central bank expanded the scope of operations of small banks in the country as part of its mandate to provide greater financial inclusion. In BSP Circular 864, signed by the BSP governor last December 22, 2014, thrift banks qualified to issue foreign letters of credit and participate in import and export transactions may now apply to operate as a dealer of deliverable foreign exchange forwards to service trade-related hedging requirements of its clients. However, the tenor of the forwards contracts should match the term of the underlying trade transaction and thrift banks interested to act as dealers must meet existing regulations on prescribed capital for market risk and abide by sales and marketing guidelines prescribed by the BSP. In BSP Circular 865, thrift, rural, and cooperate banks can now buy and sell foreign currencies.

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Local Bond Market

- Bureau of Treasury (BTr): The government began the sale of 25-year dollar-denominated bonds that will be swapped for outstanding offshore debt as an ongoing effort to manage its liabilities. The country offered Republic of the Philippines (RoP) bonds due 2040 in exchange for current liabilities that would mature from January 2016 to October 2034. Investors who opted not to buy the new bonds will be offered cash.
- The yield of the benchmark 5-year bond lost 3 bps to close at 3.24%.
- The yields of bonds mostly declined with 7 yields falling, 4 rising and only one unchanged.

Philippine Stocks

- The Philippine stock market still managed to gain as slower-than-expected inflation offset an overnight weakness in the Wall Street. The Philippine Stock Exchange index (PSEi) added 1.11 points or 0.02% to close at 7,277.74. Market breadth was negative as 98 decliners outnumbered 84 gainers while 38 stocks did not budge.

Philippine Peso

- The peso recovered as markets corrected after the peso closed above the P45-to-a-dollar territory. The local currency closed 0.20% or 9 cents lower at 44.93.

NEWS AROUND THE WORLD

U.S. Services Moderately Gains, Factory Orders Weaken; U.K. Services Growth Slows; China Services Activity Hits 3-Month High

- Institute for Supply Management (ISM): The services industries in the U.S. moderately grew in December, with the ISM's non-manufacturing index falling to a six-month low of 56.2 from November's 59.3. The November reading was the highest since 2005. Despite a larger than expected slump in December, the average for 2014 was still the highest in nine years.
- U.S. Commerce Department: Factory orders dropped by 0.7% in November for the fourth consecutive month, indicating a weakness in business investment. The decline was led by decreasing demand for business equipment such as electronics and industrial machinery.
- Markit Economics: Growth of U.K. service companies slowed more than forecast in December, fuelling concerns that the economy lost momentum towards the end of last year. Markit's Purchasing Manager's Index (PMI) dropped to 55.8 from 58.6 the previous month, the lowest since May 2013 and below the forecast of 58.5. A reading above 50 indicates an expansion.
- HSBC/Markit Economics: China's services sector grew at its fastest pace in three months in December on the back of new orders despite a softer property market and slower manufacturing activity. The HSBC/Markit Services PMI gained to 53.4 from November's 53.0, above the 50 level that indicate an expansion.

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US Stock Market

- The U.S. stock market extended its losing streak as the slide in crude oil has traders worried that the global economy may be slowing and that energy companies would cut spending and slash jobs as revenue dwindles. (Dow Jones -0.74% 17,371.64; NASDAQ -1.29% 4,592.74; S&P 500 -0.89% 2,002.61)

Asian Stocks

Asian stocks decreased on mounting concerns over a relentless fall in oil prices. The MSCI Asia-Ex Japan Index plunged 1.48% or 8.34 points to close at 553.29.

Emerging Markets

- Emerging market stocks slumped to a three-week low as oil closed at \$48 a barrel. The MSCI Emerging Markets Index shed 0.63% or 5.96 points to close at 934.73, extending its four day decline to 2.3%.

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

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