

Daily Matters

February 20, 2014

MARKET INDICATORS

As of February 20, 2014

Index/ Bond	Index Level/Yield	DoD Change	DoD % Change
PSEi	6,352.76	58.14	0.92%
Dow Jones	16,133.23	92.67	0.58%
S&P 500	1,839.78	11.03	0.60%
NASDAQ	4,267.55	29.60	0.70%
MSCI Asia ex-Japan	529.78	-5.16	-0.96%
MSCI Emerging Market	950.62	-8.47	-0.88%
5 Yr FXTN	3.88	3 bps	
10 Yr US Treasury	2.75	1 bps	
USD/PHP	44.76	0.14	0.32%

Source: Bloomberg

NEWS IN THE PHILIPPINES

Higher Interest Rates Unlikely To Hurt Banks

- Standard & Poor's (S&P): An expected rise in interest rates could cool property prices but not enough to hurt the home mortgage portfolios of local banks. Rising interest rates will make home mortgage payments more expensive for borrowers and increases the chances for default, prompting banks to absorb losses. However, any drop in prices is expected to be modest given that the rise in domestic interest rates will be predictable. Home loans account for just 7% of local bank's loan books.

Local Bond Market

- The yield of the benchmark 5-year bond rose 3 bps to close at 3.88%.
- The yields of bonds were mostly unchanged with 8 tenors and equal yields rising and falling. The yields of all short term and most long term tenors were unchanged.

Philippine Stocks

- Philippine stocks extended its winning streak to a fifth straight day, sending the index to a fresh three-month high, and bucking a regional sell-off. The Philippine Stock Exchange index (PSEi) advanced by 0.92% or 58.14 points to close at 6,352.76. Market breadth was positive with gainers beating decliners 90 to 69 while 43 stocks were unchanged.

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Philippine Peso

- The peso extended losses for a third straight day, mirroring a regional currency weakness, on concerns over a slowing Chinese economy. The local currency closed higher by 0.32% or 14 cent at 44.76.

NEWS AROUND THE WORLD

China Manufacturing Contracts; Eurozone Manufacturing Weakens

- HSBC Holdings Plc and Markit Economics: The preliminary February reading of the Purchasing Manufacturer's Index (PMI) tumbled to a seven month low to 48.3, lower than the median estimate of 49.5, adding to signs that a factory slowdown will limit growth. A number below 50 indicates a contraction.
- Markit Economics: The euro-region recovery showed signs of cooling this month as manufacturing weakened faster than forecasted, keeping pressure on the European Central Bank (ECB) to loosen policy. The factory gauge of the Euro region slipped to 53 from 54 in January while the services measure rose to 51.6, lower than the estimated 51.7.

US Stock Market

- US stocks rallied with the S&P 500 hovering near record highs despite the latest batch of weak economic reports. All three major indices gained with the Dow Jones advancing 100 points. (Dow Jones 0.58% 16,133.23; NASDAQ 0.70% 4,267.75; S&P 500 0.60% 1,839.78)

Asian Stocks

- Asian stocks retreated the most in two weeks after a weaker Chinese manufacturing gauge dropped more than expected. All industry groups declined. The MSCI Asia-Ex Japan Index tumbled 0.96% or 5.16 points to close at 529.78.

Emerging Markets

- Emerging-market stocks slumped to its lowest level in two weeks on weaker Chinese manufacturing data. The MSCI Emerging Markets Index plunged 0.88% or 8.47 points to close at 950.62.

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

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