

Daily Matters

June 5, 2014

MARKET INDICATORS

As of June 4, 2014

Index/ Bond	Index Level/Yield	DoD Change	DoD % Change
PSEi	6,766.57	-34.27	-0.50%
Dow Jones	16,737.53	15.19	0.09%
S&P 500	1,927.88	3.64	0.19%
NASDAQ	4,251.64	17.56	0.41%
MSCI Asia ex-Japan	571.98	-2.40	-0.42%
MSCI Emerging Market	1,031.19	-4.76	-0.46%
5 Yr FXTN	3.29	4 bps	
10 Yr US Treasury	2.60	-	
USD/PHP	43.88	0.07	0.16%

Source: Bloomberg

NEWS IN THE PHILIPPINES

May CPI Inflation Surprises Markets, Hits 4.5% Y-o-Y; Gov't Posts Record Surplus in April

- Philippine CPI inflation hit 4.5% y-o-y in the month of May as food inflation continues to trend higher. Median forecasts for headline inflation was at 4.2% (Bloomberg) and 4.1% (Reuters). Month-on-month, prices increased by 0.5%, higher than market expectations for a 0.2% m-o-m increase.
- Department of Finance (DOF): The government's budget surplus reached a record high in April of P80.852 billion, more than double the P36.8 billion recorded in the same month of the previous year, due to an 18% increase in revenue collections and a 6% drop in government expenditures. The April level nearly wiped out the P84.122-billion deficit of the first quarter, trimming it down to just P3.3 billion, significantly lower than last year's P29.7 billion shortfall. Government expenditures were lower at P143.6 billion, a 6% slump from a year ago, despite the need for extensive reconstruction and rehabilitation activities in typhoon-stricken Visayas. According to DOF Secretary Cesar V. Purisima, the government's failure to hit spending goals can come as an opportunity to increase spending in order to boost the nation's economic growth.

Local Bond Market

- The yield of the benchmark 5-year bond gained 4 bps to close at 3.29%.
- The yields of bonds mostly decreased on Wednesday, with 6 issues decreasing, 4 rising and

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2 remaining unchanged.

Philippine Stocks

- After a two-day rally, the main index pulled back into the 6,700 mark as cautious investors booked their profits ahead of the release of the May inflation data. The drop also reflected weak performances in overseas markets, as investors set their sights on Thursday's European Central Board (ECB) meeting and Friday's US nonfarm payroll reports. The benchmark Philippine Stock Exchange index (PSEi) shed 34.27 points, or 0.50% to close at 6,766.57 from Tuesday's close of 6,800.84. Marked breadth, however, was positive as advancers beat declines 99 to 74 while 74 other stocks were unchanged.

Philippine Peso

- The Philippine Peso weakened against the greenback for a third straight session on Wednesday, after figures on the government's budget surplus showed a sharp decrease in expenditures. This, in turn, could result to a lower GDP growth in the second quarter. The local currency closed at P43.88 to the dollar, 7 pips lower than its previous close of P43.80.

NEWS AROUND THE WORLD

U.S Trade Gap Widens in April; U.S Service Sector Expands in May

- U.S Commerce Department: U.S trade deficit reached \$47.2 billion in April, its highest level in two years and 7% more than the recorded 44.2 billion of the prior month. Imports rose 1.2% but exports fell 0.2%, marking the fourth decline in five months. The trade report of the U.S Commerce Department suggested that American households ramped up their spending following a harsh winter, but on consumer goods, business equipment and automobiles from abroad, thus undercutting domestic growth. The drop in exports is attributed to slower expansion in overseas economies such as Europe, which can keep the trade gap elevated.
- Institute of Supply Management (ISM): As shown in the figures released by the Institute of Supply Management (ISM), the U.S services sector accelerated in May. The services sector index rose 56.3 from 55.3 in April. The May level change topped economists' forecast of a 55.5 reading and marked the fastest pace of growth in the service sector in nine months, as new orders and business activity ranging from retail to construction jumped. Furthermore, the report marked the 53rd straight month the index stayed above 50, the cut-off level separating expansion from contraction, and was the latest sign of an economic rebound in the country after a bleak first quarter.

US Stock Market

- US stocks posted modest advances that were enough for S&P 500 to seal another record high, no less its sixteenth time within the year alone. Share prices fell during intraday trade

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following mixed economic data before ending Wednesday generally higher. The gains were slight, as most investors awaited direction from the upcoming European Central Bank (ECB) meeting and Friday's U.S monthly jobs report. (Dow Jones 0.09% 16,737.53; NASDAQ 0.41% 4,251.64; S&P 500 0.19% 1,927.88)

Asian Stocks

- Asian shares drifted lower on Wednesday, as most investors also remained in anticipation for key economic releases due this week. Chinese share prices dropped as falling home prices overshadowed an upbeat performance in the manufacturing indices. The MSCI Asia-Ex Japan Index decreased 0.42% or 2.40 points to close at 571.98.

Emerging Markets

- Emerging-market stocks declined for the first time in three days as Chinese shares fell on concern government moves to spur the economy may fail to revive growth in the world's second-largest economy. The MSCI Emerging Markets Index dropped 0.46% or 0.73 points to close at 1,0131.19.

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

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