

February 2, 2018  
LOCAL MARKETS

Local equities continued to slide from record highs at the start of the week due to net foreign selling. The yield curve of local fixed income securities flattened, and the Philippine peso declined due to intraday strength in the US dollar.

### Key Events

- ✓ 1.) **Metropolitan Bank & Trust Company (PSEi Ticker: MBT)** reported a consolidated net income of Php 18.2bn, an increase of 10% on a core basis. The bank attributed its performance to robust loan and deposit growth. The bank also demonstrated improved margins and better operating leverage.
- ✓ 2.) According to IHS Markit, the **Nikkei Philippines Manufacturing Purchasing Managers' Index (PMI)** fell to 51.7 in January from 54.2 in December. The result suggested a modest improvement in the health of the sector in contrast to solid expansion in recent months. Recall that a PMI reading above 50 suggests an improvement in business conditions compared to the previous month.

### Equities

- ✓ **Local equities** continued to fall, aggravated by foreign selling amounting to \$26.48Mn. The PSEi ended at 8,738.7 (-0.29% DoD). Market sentiment continues to be negative due to consecutive capital calls by large companies.

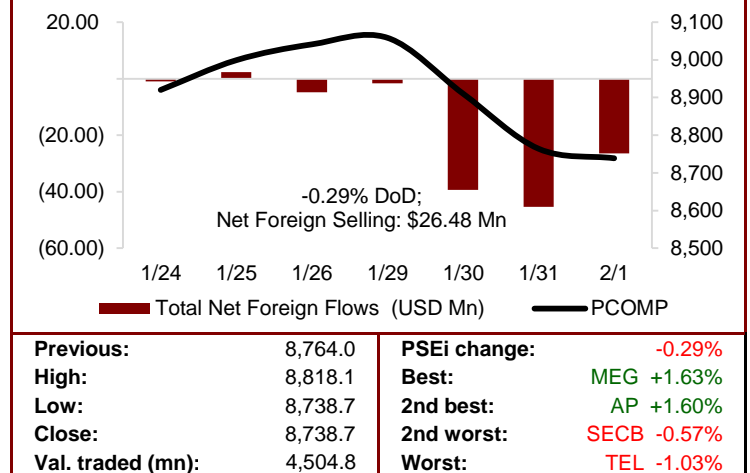
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.1104	2.5464	4 years	+0.0586	4.5168
3 months	-0.0535	2.3405	5 years	-0.0032	4.7348
6 months	+0.0665	2.6093	7 years	+0.6674	5.5679
1 year	+0.0290	2.8519	10 years	-0.1318	6.0750
2 years	+0.0074	3.9078	20 years	-0.5478	5.9197
3 years	+0.0137	4.2018			

### Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	51.295	51.580	EUR/USD	1.2444
				1.2430

### PSEi Snapshot



### Fixed Income

- ✓ **Local fixed income yields** were flat on average, with the yield curve flattening as investors transferred from the belly of the curve (+14.88 bps) to longer-tenor securities (-22.65 bps). On average, yields fell 0.04 bps.

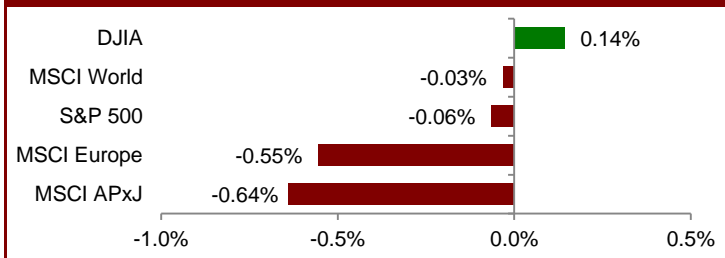
### Philippine Peso

- ✓ The **Philippine peso** weakened, as the FOMC's hawkish tone, supported by increasing employment and high oil prices, suggested further tightening could be on the cards, strengthening the US dollar. The PHP/USD ended at 51.580 (+0.56% DoD).

## OVERSEAS MARKETS

Global equities were mostly down as investors remain cautious amid the global bond sell-off and disappointing economic data. Moreover, the US dollar and US Treasuries weakened mostly due to uncertainties on inflation expectations.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0229	1.4780	5 years	+0.0573	2.5712
6 months	-0.0052	1.6431	10 years	+0.0846	2.7896
2 years	+0.0203	2.1609	30 years	+0.0893	3.0241

- ✓ **US equities** were mixed ahead of the US jobs report. Investors were wary of higher inflation and the sharp rise in bond yields which could lead to accelerated tightening. The DJIA closed at 26,186.71 (+0.14% DoD) while the SPX was at 2,821.98 (-0.06% DoD).
- ✓ **European equities** closed lower as PMI data was released. Manufacturing PMI for the EU fell 1pt to 59.6 while new orders fell 1.9pts to 59.6. The MSCI Europe index closed at 132.72 (-0.55% DoD).
- ✓ **Asian stocks** were down with consumer stocks dragging China's major share indexes on soft earnings expectations. The Shanghai Composite index was down 1.1%. The MSCI APxJ closed at 603.86 (-0.64% DoD).
- ✓ The 10-year yield continued to rise as expectations of positive employment data renewed the sell-off in **US Treasuries**. On average, yields rose 4.49 bps with the 10-year rising to 2.7896% (+8.46 bps).
- ✓ **The US dollar** weakened as investors looked ahead to the release of US Manufacturing data for actionable information. The DXY closed at 88.671, -0.52% DoD.