

February 7, 2018
LOCAL MARKETS

Local equities continued to track the selloff in global markets on the back of higher interest rates. Similarly, fixed income securities fell on the back of strong inflation data locally. The PHP strengthened on the back of a potential increase in BSP policy rates.

Key Events

- ✓ **Bank of the Philippine Islands** (PSE ticker: BPI) was spared a monetary fine by the Bangko Sentral ng Pilipinas (BSP) for a data processing error that caused double debiting and crediting of transactions last June. However, the BSP penalized two bank officers for the glitch.
- ✓ According to Presidential Spokesman Harry Roque, President Duterte indicated his desire that telecommunications companies PLDT and Globe return some of the radio frequencies allocated to them to the government, so that these frequencies may be allocated to the third player that is expected to be picked by March of this year.

Equities

- ✓ **Philippine stocks** continued to track overnight global markets, reflecting negative sentiment on the back of higher interest rates. Strong inflation data locally aggravated the fears. The PSEI lost 0.76% DoD, closing at 8,550.4 pts.

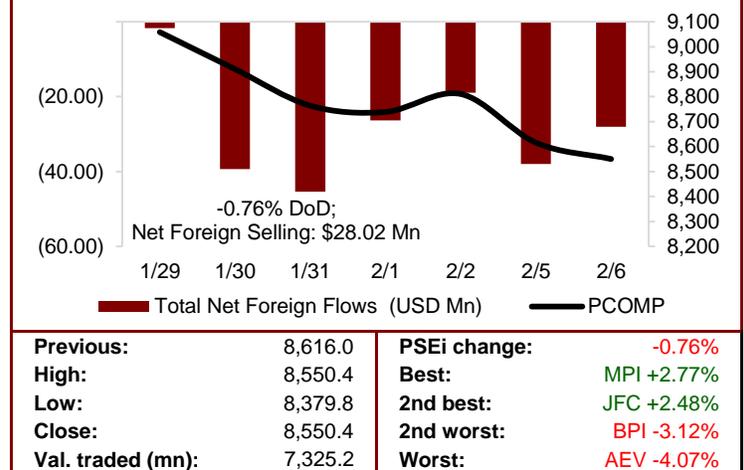
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.0214	2.6554	4 years	+0.0781	5.0067
3 months	+0.0266	2.4553	5 years	+0.0152	4.8624
6 months	-0.3356	2.8269	7 years	+0.2521	5.9432
1 year	+0.5079	3.4200	10 years	+0.0111	6.2004
2 years	-0.0759	3.8833	20 years	+0.4702	6.4379
3 years	+0.0261	4.2765			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	51.510	51.460	EUR/USD	1.2462

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income** continued its decline as Philippine Headline CPI data came in at 4.0%, exceeding Bloomberg median estimate of 3.5%. The Bureau of Treasury's rejection of bids for the FXTN 7-60 may have buttressed the fall of security prices. On average, yields rose 8.68 bps, led by the long-end which rose 16.04 bps.

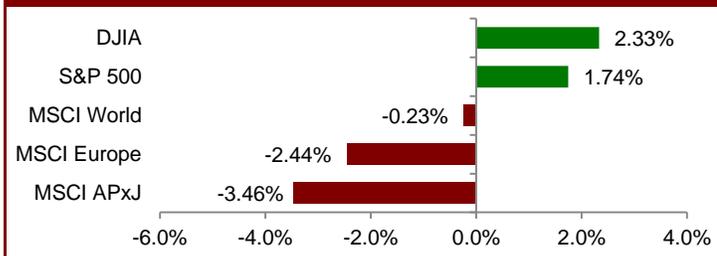
Philippine Peso

- ✓ The **Philippine peso** gained as surprisingly strong inflation data may lead to expectations of an earlier BSP rate hike. The PHP/USD closed at 51.460 (-0.10% DoD).

OVERSEAS MARKETS

Global equities were mixed with US stocks rebounding from the global equities selloff while European and Asian stocks lagged. Moreover, US Treasury yields rose and the dollar was flat as market concerns waned and as investors moved back to risk assets.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0361	1.5165	5 years	+0.1027	2.5396
6 months	+0.0699	1.6844	10 years	+0.0960	2.8016
2 years	+0.0810	2.1051	30 years	+0.0599	3.0659

- ✓ **US equities** ended higher, recovering after sessions of losses. VIX, a measure of market volatility, broke the 50-point mark during the volatile trading period. The DJIA closed at 24,912.77 (+2.33% DoD) while the SPX was at 2,695.14 (+1.74% DoD).
- ✓ **European equities** continued to decline even amid slight upswings intraday as the market failed to recover from the global market rout the previous day. The MSCI Europe index closed at 125.73 (-2.44% DoD).
- ✓ **Asian stocks** ended lower as Hong Kong stocks joined the the global plunged amid worries of rising inflation. The Hang Seng index was down 5.1% for the day. The MSCI APxJ index closed at 568.41 (-3.46% DoD).
- ✓ **US Treasury yields** rose as bond buying ended, with investors moving back to risk assets. On average, yields rose 7.43 bps with the 10-year rising to 2.8016%, up 9.6 bps day-on-day.
- ✓ The **US dollar** was flat amid a recovery in the US stock market, and as Treasury yields started to rise once again. The DXY closed at 89.585, up 0.03% day-on-day.

