

# The Morning View

February 12, 2018

## LOCAL MARKETS

Local equities continued to fall as investor sentiment (both local and global) remained bearish. There was a sell-off for most benchmark fixed income tenors except the 20-year, resulting in a flattening of the curve. The PHP continues to depreciate as US interest rate expectations push the interest rate differential.

### Key Events

- ✓ **Cemex Holdings Philippines** (PSE Ticker: CHP) reported FY17 core income of Php 906 Mn, a decline of 71% YoY and trailing consensus expectations. Management attributed the weakness to higher coal and fuel prices. Prices and volume declined QoQ by 1% and 5%, respectively. Finally operating margins fell to 6% in 4Q17 from 10% in 9M17.
- ✓ In a media release, the **Bangko Sentral ng Pilipinas** announced that it has approved the adoption of minimum prudential liquidity requirements for thrift banks, rural banks, cooperative banks, and quasi-banks. The BSP plans to implement the minimum requirements in 2019. Said adoption is a significant step in aligning the BSP's supervisory framework with international standards.

### Equities

- ✓ **Local equities** continued to fall as bearish local investor sentiment was compounded by net foreign selling. Supply-side inflation risks, particularly in rice, may be weighing down markets. The PSEI ended at 8,503.7 (-1.64% DoD).

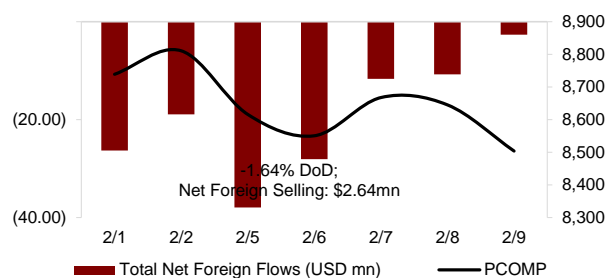
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.3929	3.1875	4 years	+0.3305	5.0064
3 months	+0.1640	2.7105	5 years	+0.0044	4.9193
6 months	+0.0465	2.8711	7 years	+0.0125	6.1804
1 year	-0.1662	2.9265	10 years	+0.0971	6.5332
2 years	+0.0210	3.9152	20 years	-0.6305	6.0013
3 years	-0.2101	4.3699			

### Foreign Exchange

	Previous	Close	Previous	Close	
PHP/USD	51.310	51.480	EUR/USD	1.2247	1.2252

### PSEi Snapshot



Previous:	8,645.1	PSEi change:	-1.64%
High:	8,546.0	Best:	SM +0.51%
Low:	8,421.7	2nd best:	SECB +0.41%
Close:	8,503.7	2nd worst:	AC -3.55%
Val. traded (mn):	4,467.0	Worst:	AEV -3.58%

### Fixed Income

- ✓ **Local fixed income yields** continue to be volatile, with the short end rising 10.93 bps and the long end falling 17.36 bps, a reversal of the prior day's movement. Investors continue to adjust to the BSP's freshly released inflation forecast, with a sell-off in most tenors except the 20-year. On average, yields rose 0.56 bps.

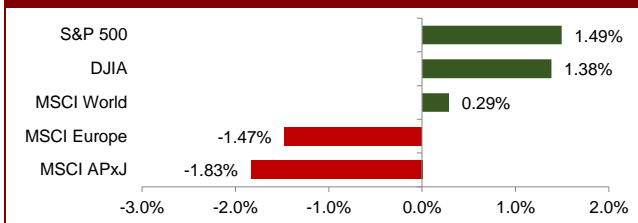
### Philippine Peso

- ✓ The **Philippine peso** fell against the dollar once again, as the flattening of the local yield curve was opposed by a steepening in the US. Higher interest rate expectations for the US 10-year benchmark has widened the expected interest rate differential between the Philippines and the US. The PHP/USD ended at 51.480 (+0.33% DoD).

## OVERSEAS MARKETS

Global equities were mixed as markets continued to react on volatility amid the equity selloff fueled by the rise of US Treasury yields. Meanwhile, the dollar strengthened as concerns over a US government shutdown subsided.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0152	1.5545	5 years	+0.0053	2.5433
6 months	+0.0101	1.7331	10 years	+0.0272	2.8512
2 years	-0.0302	2.0732	30 years	+0.0303	3.1596

- ✓ **US equities** continued to be swayed by volatility brought about by rising bond yields and higher inflation, posting another big movement and ending the session higher. The DJIA closed at 24,190.90 (+1.38% DoD) while the S&P 500 was at 2,619.55 (+1.49% DoD).
- ✓ **European equities** tumbled as concerns on rising volatility and inflation pressures persisted. Analysts also cited profit taking as stocks scored big gains in January. The MSCI Europe closed at 124.29 (-1.47% DoD).
- ✓ **Asian stocks** ended lower capping off their worst week in years as heavy selling came after the slump of stateside counterparts the previous day. The MSCI APxJ index closed at 554.54 (-1.83% DoD).
- ✓ **US Treasury yields** marginally rose as concerns over accelerated rate hikes persisted. On average, yields rose 0.96 bps with the 10-year rising to 2.8512%, up 2.72 bps day-on-day.
- ✓ The **US dollar** firmed against other major currencies after concerns over a US government shutdown subsided amid the Congress' passage of a two-year budget agreement. The DXY closed at 90.442, up 0.24% day-on-day.

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