BPI Asset Management and Trust Corporation

The Morning View

February 14, 2018

LOCAL MARKETS

Local equities were slightly up on the back of local investor-led bargain hunting. The Philipine peso continued to decline against the US dollar, pressured by net foreign selling in the equities market. Meanwhile, local fixed income yields fell on the back of speculation related to a reserve requirement cut.

Key Events

- ✓ **Jollibee Foods Corporation (PSE Ticker: JFC)** announced through a disclosure in the PSE that it will purchase an additional 45% of SJBF LLC, the parent company of the entities comprising the Smashburger business. The transaction is expected to be completed in one to two months, subject to government approvals and other conditions. The transaction, estimated to be $100 Mn, will be done in cash.
- ✓ In a media release, the **Bangko Sentral ng Pilipinas**, together with the International Finance Corporation, announced that it will continue to support capacity building initiatives in response to needs articulated by banks. Specifically, the BSP aims to support sustainable finance initiatives, opportunities, and resources.

Equities

- ✓ **Local equities** were slightly up as local investors picked up bargains amidst continued foreign selling. SMPH (+3.29% DoD) was the best performer, closing above its 200-day moving average of Php 34.98. The PSEi ended at 8,570.1 (+0.97% DoD).

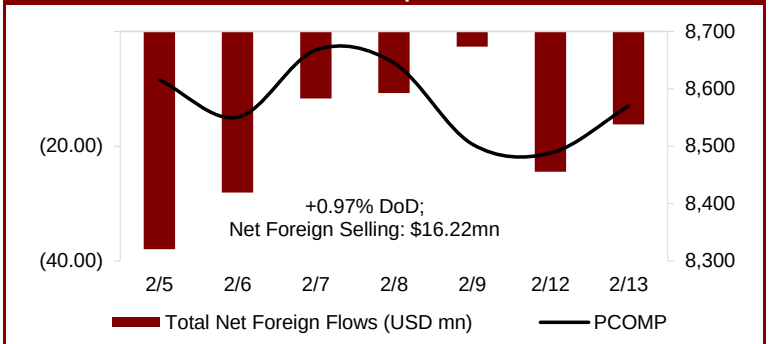
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.0014	3.1732	4 years	+0.0983	5.1333
3 months	-0.1293	2.6168	5 years	+0.0080	4.9525
6 months	-0.5346	2.8872	7 years	-0.3389	6.2200
1 year	-0.7143	2.9771	10 years	-0.1310	6.5604
2 years	-0.1639	4.1468	20 years	-0.6374	6.2933
3 years	+0.0149	4.3491			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	51.770	51.980	EUR/USD	1.2268	1.2349

PSEi Snapshot



Previous:	8,487.9	**PSEi change:**	0.97%
High:	8,570.1	**Best:**	SMPH +3.29%
Low:	8,476.5	**2nd best:**	AEV +2.71%
Close:	8,570.1	**2nd worst:**	SMC -2.07%
Val. traded (mn):	4,419.4	**Worst:**	JFC -2.12%

Fixed Income

- ✓ **Local fixed income yields** fell amidst continued speculation of a reserve requirement cut. A 1% cut in the reserve requirement could potentially unlock more than Php 100 Bn in market liquidity, some of which could be invested in government securities. On average, yields fell 23.00 bps.

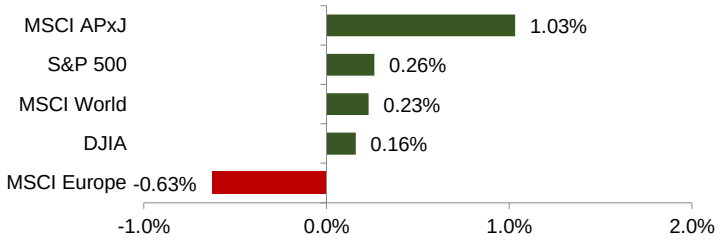
Philippine Peso

- ✓ The **Philippine peso** continued to decline against the dollar on the back of continued foreign outflows in the stock market ($16.22 Mn net foreign selling). The PHP/USD ended at 51.980 (+0.41% DoD).

OVERSEAS MARKETS

Global equities were mixed with US and Asian equities continuing their recovery while European stocks declining amid heightened levels of volatility. Meanwhile, US Treasury yields and the dollar were down ahead of the US inflation report.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0132	1.5829	5 years	-0.0169	2.5418
6 months	+0.0134	1.7876	10 years	-0.0291	2.8294
2 years	+0.0287	2.1040	30 years	-0.0328	3.1111

- ✓ **US equities** finished higher, marking a third consecutive gain for equity benchmarks, as the market awaits the key inflation reading due to be released today. The DJIA index closed at 24,640.45 (+0.16% DoD) and the S&P500 index closed at 2,662.94 (+0.26% DoD).
- ✓ **European equities** ended lower as volatility that pushed stock markets into correction territory crept back as investors remain wary of rising inflation and bond yields. The MSCI Europe index closed at 124.99 (-0.63% DoD).
- ✓ **Asian stocks** advanced as investors were in bargain-hunting mode after the huge decline in stock prices last week. The Hang Seng index was up by 1.29%. The MSCI APxJ index closed at 563.87 (+1.03% DoD).
- ✓ **US Treasury yields** were relatively flat ahead of the inflation report. The market is in wait-and-see mode ahead of the report as concerns over high inflation continue to impact markets. On average, yields dipped 0.39 bps with the 10-year falling to 2.829%, down 2.91 bps DoD.
- ✓ The **US dollar** continued to weaken ahead of the inflation report and as equity markets recovered signaling flight to more risky assets. The DXY closed at 89.703 (-0.56% DoD).

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