

February 15, 2018

## LOCAL MARKETS

Local equities were up once again as bargain hunting continues for local investors. In the fixed income market, yields were flat on average but up along the long-end of the curve, as investors continue to weigh the likelihood of a cut to the reserve requirement. The PHP weakened against the USD due to outflows in the equity market.

### Key Events

- ✓ **Ayala Land (PSE ticker: ALI)** reported full-year 2017 net profit at PHP 25.3 bn (+21% YoY), exceeding consensus expectations of PHP 24.4 bn (+17% YoY) on the back of a non-recurring revaluation gain. Net of the gain, profit was in-line with expectations, driven by strong presales growth (+13% YoY), particularly to the international buyers segment.
- ✓ Demand for **Bangko Sentral ng Pilipinas term deposits** soared, climbing from PHP140.0 bn to PHP 150.8 bn in one week. The BSP recently started offering a two-week tenor for deposits. This comes after market expectations for policy rate hikes drove up demand for shorter-term instruments.

### Equities

- ✓ **Local equities** continued to pick up, following yesterday's bounce and the trend overseas, and despite net foreign selling. Local investors continue to pick up bargains as companies begin to release 2017 earnings previews. The PSEi ended at 8,598.1 (+0.33% DoD).

### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.2022	3.3754	4 years	-0.3833	4.7500
3 months	+0.1347	2.7515	5 years	+0.0168	4.9693
6 months	+0.0642	2.9514	7 years	-0.0123	6.2077
1 year	+0.0178	2.9949	10 years	+0.0088	6.5692
2 years	-0.0916	4.0552	20 years	+0.6598	6.9531
3 years	-0.0406	4.3085			

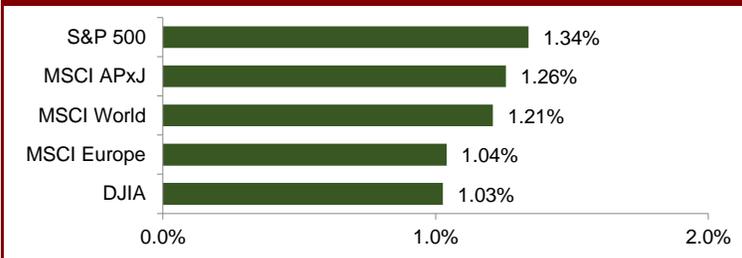
### Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	51.980	52.120	EUR/USD	1.2349
				1.2357

## OVERSEAS MARKETS

Global equities advanced as investors shook off anxieties over the strong US CPI inflation print. Meanwhile, US Treasuries and the dollar weakened mainly due to the higher-than-expected CPI inflation and current account deficit concerns.

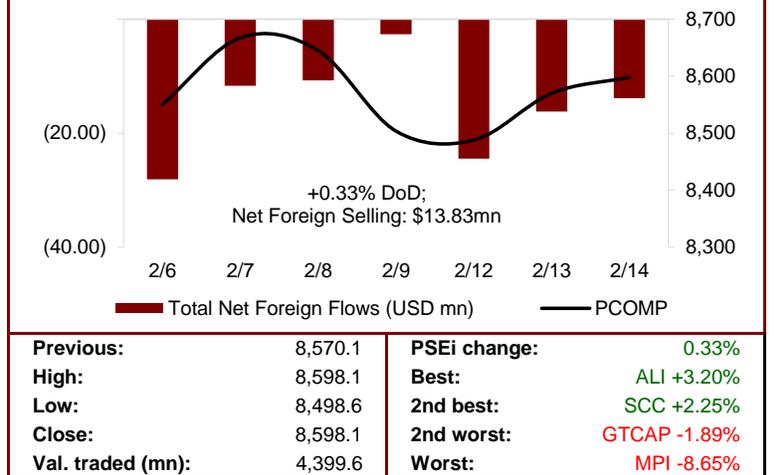
### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0103	1.5726	5 years	+0.0901	2.6319
6 months	+0.0051	1.7927	10 years	+0.0728	2.9022
2 years	+0.0596	2.1636	30 years	+0.0509	3.1620

### PSEi Snapshot



### Fixed Income

- ✓ **Local fixed income yields** were relatively flat as investors continue to consider a potential reserve requirement cut. The long end rose 21.88 bps however, indicating hesitation to invest in long tenors. On average, yields rose 5.24 bps.

### Philippine Peso

- ✓ The **Philippine peso** continued its depreciation against the dollar as foreign outflows continue well into February. This was despite a weakening of the dollar. The PHP/USD ended at 52.120 (+0.27% DoD).

- ✓ **US equities** advanced as investors shook off anxieties over the higher-than-expected inflation print. Investors focused on the healthy earnings and the economy that still appears to be solid. The DJIA index closed at 24,893.49 (+1.03% DoD) and the S&P500 index closed at 2,698.63 (+1.34% DoD).
- ✓ **European equities** were up after the report of higher-than-expected US inflation and Germany's GDP expanding by 0.6% in the fourth quarter. The MSCI Europe index closed at 126.29 (+1.04% DoD).
- ✓ **Asian stocks** closed higher as concerns over the global selloff abated and local factors took center stage. The Hang Seng and Kospi indices rose by 2.3% and 1.1% respectively as index heavyweights Tencent Holdings and Samsung rallied. The MSCI APxJ index closed at 570.26 (+1.26% DoD).
- ✓ **US Treasury yields** rose after the release of the report which showed that CPI inflation ended at 2.1%, higher than the 1.9% consensus estimate. On average, yields increased by 4.47 bps with the 10-year rising to 2.902%, up 7.28 bps DoD.
- ✓ The **US dollar** declined even after CPI inflation was stronger than anticipated as deficit concerns weighed down investors' sentiment. The DXY closed at 89.121 (-0.65% DoD).

