

February 19, 2018

LOCAL MARKETS

Local equities continued their slow recovery following the recent plunge in prices, boosted by lower net foreign selling and a uptick in the Peso. Fixed income reflected market expectations of a potential cut to the Reserve Rate Requirement, which was announced after markets closed.

Key Events

- ✓ **San Miguel Pure Foods Company, Inc.** (PSE ticker: PF) announced that it was on track to complete its Sta. Rosa, Laguna facility by the first quarter of 2019. The facility will produce products that will service both the local food industries and exports.
- ✓ The **Bangko Sentral ng Pilipinas (BSP)** announced a cut to the Reserve Rate Requirement (from 20% to 19%) after trading hours. The rationale behind the cut was to increase liquidity in the market, in order to prime the economy for further growth. It is also stated as a "shift toward a more market-based implementation of monetary policy."

Equities

- ✓ **Local equities** rose marginally as net foreign selling eased somewhat and the PHP recovered slightly. The recovery from the recent fall in prices continues to be slow, with investors waiting for an ideal inflection point. The PSEi ended at 8,612.4 (+0.17% DoD).

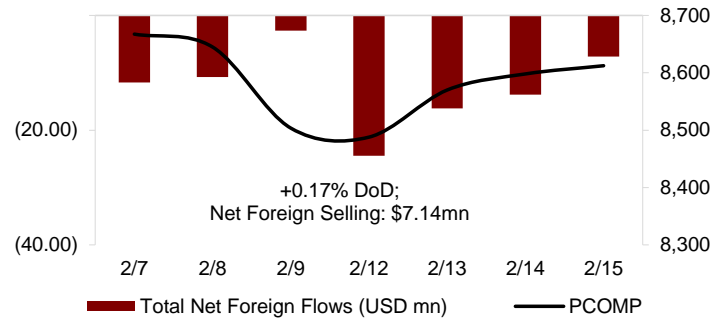
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.0132	3.3886	4 years	-0.0011	4.7489
3 months	+0.0332	2.7847	5 years	+0.0070	4.9763
6 months	+0.0554	3.0068	7 years	+0.2494	6.4571
1 year	+0.2847	3.2796	10 years	+0.1397	6.7089
2 years	+0.0557	4.1109	20 years	-0.4963	6.4568
3 years	-0.0292	4.2793			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.120	52.000	EUR/USD	1.2481	1.2481

PSEi Snapshot



Previous:	8,598.1	PSEi change:	0.17%
High:	8,612.4	Best:	AC +5.29%
Low:	8,505.9	2nd best:	MPI +4.46%
Close:	8,612.4	2nd worst:	SCC -3.43%
Val. traded (mn):	3,920.6	Worst:	AGI -5.41%

Fixed Income

- ✓ **Local fixed income yields** continued to be steady on average, though the yield curve showed some flattening throughout the day. This reflected market anticipation of a possible cut to the Reserve Rate Requirement, which the BSP had signaled previously and made official after markets closed. On average, yields rose 2.83 bps.

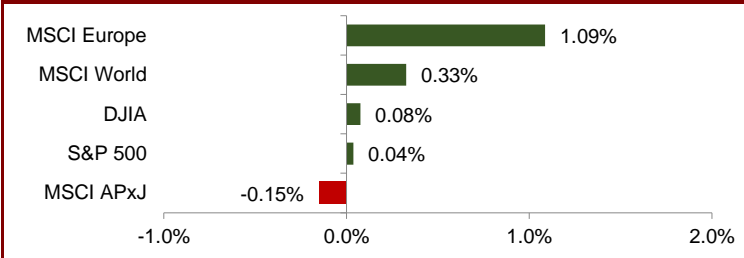
Philippine Peso

- ✓ The **Philippine peso** reversed its downward trend, though it failed to fall below PHP52.000 per USD, which remains a key sentiment-driven support/resistance point. The PHP/USD ended at 52.000 (-0.23% DoD).

OVERSEAS MARKETS

Most equity markets advanced, buoyed by strong earnings and optimistic sentiment. Meanwhile, US Treasuries and the US dollar gained on bargain hunting after recent losing streaks.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0022	1.5901	5 years	-0.0217	2.6291
6 months	+0.0048	1.8207	10 years	-0.0346	2.8749
2 years	+0.0051	2.1895	30 years	-0.0321	3.1316

- ✓ **US equities** ended flat, as morning gains were pared in an afternoon selloff after Special Counsel Robert Mueller revealed details of a years-long, multimillion-dollar Russian campaign to influence the 2016 US presidential election. The S&P 500 closed at 2,732.22 (+0.04% DoD), while the DJIA ended at 25,219.38 (+0.08% DoD).
- ✓ **European equities** rallied even amid high US inflation as the market focused on strong earnings and company outlook. Analysts cited that the ongoing recovery signals that investors quickly adjusted higher inflation expectations. The MSCI Europe index closed at 128.29 (+1.09% DoD).
- ✓ **Asian stocks** slightly retreated from their gains Thursday amid thin trading volumes as most markets were closed in observation of the Lunar New Year holiday. The MSCI APXJ index closed at 576.57 (-0.15% DoD).
- ✓ The **US Treasury yield curve** flattened, with average yields slightly lower, as investors hunted for bargains after the recent bout of selling, with the 10-year yield retreating from a 4-year high on Thursday. Yields fell 1.27 bps on average, with 10-year yield at 2.8749%.
- ✓ The **US dollar** strengthened amid rising US inflation expectations, as investors took profits on its currency counterparts after five days of dollar selling. The DXY gained 0.57% DoD to 89.1.

