

February 22, 2018

## LOCAL MARKETS

Local equities declined on the back of continued net foreign selling. Meanwhile, fixed income yields were flat on average as investors took in stride the recent reserve requirement cut. On the other hand, the Philippine Peso continued to strengthen ahead of the FOMC minutes.

### Key Events

- ✓ **Union Bank of the Philippines, Inc. (PSEi Ticker: UBP)** successfully raised PHP 3 bn Long-Term Negotiable Certificates of Deposit (LTNCD). This is the bank's first tranche, out of the total PHP 20 bn worth of LTNCDs that were previously approved by the BSP. The LTNCDs have a tenor of five and a half years, and will bear interest rate of 4.375% YoY.
- ✓ **Bangko Sentral ng Pilipinas (BSP)** yields on term deposits inched higher ahead of the additional money supply release due to lower bank reserves. This was despite an oversubscription in the term deposit facility (TDF) offering yesterday (PHP 130.49 bn versus the offering of PHP 110 bn), as banks sought higher yields during the auction.

### Equities

- ✓ **Local equities** declined on the back of continued net foreign selling, which amounted to \$9.89 Mn for the day. The recent weakness in the Peso may be providing reason for foreign investors to take profit. The PSEi ended at 8,613.7 (-1.25% DoD).

### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.0029	3.4175	4 years	+0.2307	4.9594
3 months	-0.0478	2.8325	5 years	+0.0885	5.1245
6 months	+0.1301	3.1748	7 years	+0.0335	6.7139
1 year	-0.0168	3.9161	10 years	-0.0164	6.8625
2 years	+0.0637	4.1679	20 years	-0.7542	6.3619
3 years	+0.5176	4.8157			

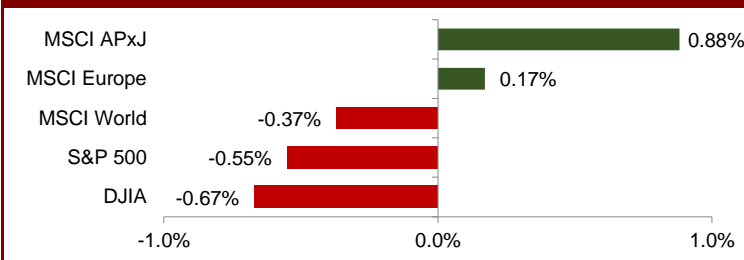
### Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.240	52.100	EUR/USD	1.2340	1.2340

## OVERSEAS MARKETS

Global equities were mixed after the release of the minutes of the Federal Reserve's most recent policy meeting. Meanwhile, US Treasury yields and the dollar were up mainly due to higher inflation expectations.

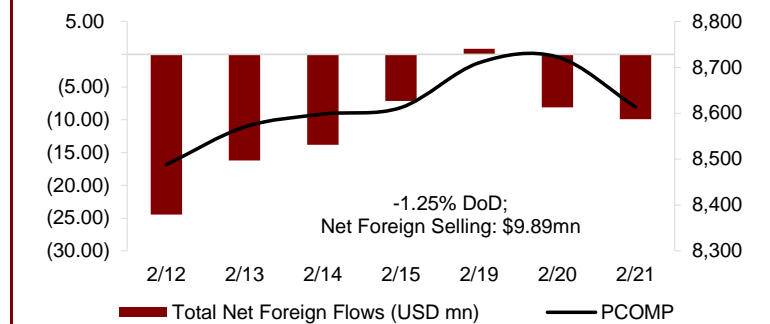
### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0438	1.6390	5 years	+0.0412	2.6858
6 months	+0.0263	1.8469	10 years	+0.0604	2.9500
2 years	+0.0474	2.2661	30 years	+0.0674	3.2204

### PSEi Snapshot



<b>Previous:</b>	8,722.7	<b>PSEi change:</b>	-1.25%
<b>High:</b>	8,677.5	<b>Best:</b>	SCC +1.79%
<b>Low:</b>	8,613.5	<b>2nd best:</b>	SECB +1.18%
<b>Close:</b>	8,613.7	<b>2nd worst:</b>	MEG -3.28%
<b>Val. traded (mn):</b>	4,960.6	<b>Worst:</b>	URC -3.82%

### Fixed Income

- ✓ **Local fixed income yields** were flat on average, with a rise in the belly offsetting a large drop in the 20-year. Overall fixed income investors have not significantly reacted to the cut in the Reserve Requirement Ratio, as the BSP signalled that the new liquidity would be absorbed by BSP auctions. On average, yields rose only 2.11 bps.

### Philippine Peso

- ✓ The **Philippine peso** continued to trade a range just above the Php 52,000 level. Investors awaited the US Federal Open Market Committee minutes to determine how the USD would behave, resulting in a flat movement for the PHP. The PHP/USD ended at 52.100 (-0.27% DoD).

- ✓ **US equities** declined after renewed volatility after the release of the minutes of the Federal Reserve's most recent policy meeting. The minutes pointed to a strong economy, but also suggested increased likelihood of rate hikes. The DJIA closed at 24,797.78 (-0.67% DoD) while the SPX was at 2,701.33 (-0.55% DoD).
- ✓ **European equities** inched up even amid heightened inflation expectations brought about by the Fed meeting minutes. The MSCI Europe index closed at 128.48 (+0.17% DoD).
- ✓ **Asian stocks** ended higher after a choppy day of trading as the Chinese market returns after the Lunar New Year holiday. The Hang Seng index gained 1.81%. The MSCI APxJ index closed at 581.19 (+0.88% DoD).
- ✓ **US Treasury yields** rose mainly due to higher inflation expectations after the release of the minutes of the Fed meeting. On average yields rose 4.78 bps with the 10-year rising to 2.9500%, up 6.04 bps DoD.
- ✓ The **US dollar** strengthened as Treasury yields climbed amid expectations of higher inflation and more rate hikes. The DXY closed at 90.139, up 0.47% DoD.

