

February 26, 2018

LOCAL MARKETS

Local equities continued to decline amid sluggish 4Q17 earnings and inflationary concerns. However, local fixed income and the Philippine peso strengthened after expectations of a quickening in the pace of US policy rate increases waned.

Key Events

- ✓ **Aboitiz Equity Ventures, Inc. (PSE Ticker: AEV)** has a newly created unit, Weather Solutions, Inc. which will be partnering with Japan-based Weather, Inc. (WNI) for the delivery of hyperlocal weather information in the Philippine businesses. Under the Memorandum of Understanding between Weather Solutions and WNI it will allow companies to collaborate on various areas such as providing training for meteorologists, consumer services, and new tools.
- ✓ **According to BSP Governor Nestor A. Espenilla, Jr.**, the phased reductions of the reserve requirement ratio (RRR) do not constitute an easing of monetary policy, since any excess liquidity will be mopped up by other monetary tools such as the Term Deposit Facility (TDF). The reduction in RRR is just an operational adjustment that should have a neutral effect on the policy rate.

Equities

- ✓ **Local equities** extended their losing streak to three days as 4Q17 corporate earnings come in, with focus still on high inflation and expectations of increasing interest rates. The PSEI lost 0.56% DoD, ending at 8,467.56.

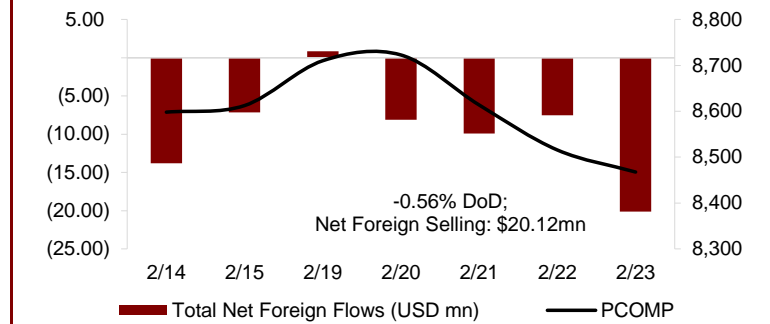
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-	3.4179	4 years	+0.0086	5.3036
3 months	-0.1097	2.9012	5 years	-0.0507	5.1368
6 months	+0.0082	3.0529	7 years	-0.0464	6.6232
1 year	-0.8916	3.0280	10 years	+0.0518	6.8554
2 years	+0.0582	4.1852	20 years	-0.3568	6.5628
3 years	-0.5515	4.3003			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.100	51.890	EUR/USD	1.2290	1.2290

PSEI Snapshot



Previous:	8,515.6	PSEI change:	-0.56%
High:	8,526.2	Best:	MPI +2.13%
Low:	8,465.8	2nd best:	SCC +1.77%
Close:	8,467.6	2nd worst:	PGOLD -2.97%
Val. traded (mn):	4,834.9	Worst:	SECB -2.98%

Fixed Income

- ✓ **Local fixed income yields** fell across the curve, after expectations of an increase in the number of US Fed rate hikes were countered by a statement from St. Louis Fed President James Bullard. The curve fell 17.09 bps on average, led by the short end, which fell 24.83 bps.

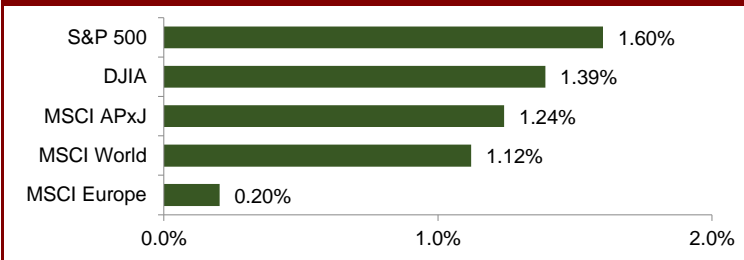
Philippine Peso

- ✓ The **Philippine peso** continued to consolidate after hitting a low on Tuesday, as concerns about the pace of US policy rate increases were mitigated. The USD/PHP lost 0.4% to 51.89.

OVERSEAS MARKETS

Global equities advanced as concerns over rising bond yields and higher inflation expectations waned. Meanwhile, US Treasuries and the dollar strengthened after the Fed hinted improvement in the economy and casted doubt on more aggressive policy stance.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0049	1.6387	5 years	-0.0369	2.6183
6 months	+0.0023	1.8440	10 years	-0.0547	2.8660
2 years	-0.0080	2.2380	30 years	-0.0507	3.1555

- ✓ **US equity markets** surged as concerns over rising bond yields and higher inflation receded with the Fed hinting that the rise in prices does not warrant a more aggressive policy action. The DJIA closed at 25,309.99 (+1.39% DoD), while the S&P 500 was at 2,747.30 (+1.60% DoD).
- ✓ **European equities** ended slightly higher after a bouncy trading session as the market tracked gains of US stocks and as traders digested a stream of corporate updates. The MSCI Europe index closed at 128.50 (+0.20% DoD).
- ✓ **Asian stocks** advanced as the market continued to recover from midweek losses and the recent global rout. Benign inflation readings for Singapore and the solid outlook for exports buoyed the market. The MSCI APxJ index closed at 583.47 (+1.24% DoD).
- ✓ **US Treasury yields** continued to ease on the back of St. Louis Fed President James Bullard's statement that the Fed is unlikely to raise rates four times this year. Yields fell 2.38 bps on average, with 10YR yields down 5.47 bps to 2.866.
- ✓ The **US dollar** strengthened after the Fed suggested improvement in the economy and eased out concerns on more aggressive policy stance. The DXY closed at 89.883 (+0.16% DoD).

