

March 1, 2018

LOCAL MARKETS

The Philippine market was on negative territory yesterday as the stock market faced regulatory issues and fixed income yields rose on the back of a miss in budget deficit target. Meanwhile, the Philippine peso went up as government spending is seen to improve this year.

Key Events

- ✓ **Alliance Global International (PSEi Ticker: AGI)** approved the purchase of 4,700 common shares at an average price of Php14.73 pursuant to its buy-back program.
- ✓ **Bangko Sentral ng Pilipinas (BSP)** reported that domestic liquidity (M3) grew by 12.8% YoY to about Php10.6Tn in January 2018 while domestic claims registered a 13.5% growth in January which was slower than December's 13.7% increase. The BSP promised to continue its close monitoring of the money supply to meet price and financial stability objectives.

Equities

- ✓ **Local Equities** fell as the Securities and Exchange Commission (SEC) deemed Philippine Stock Exchange's (PSE) statement about reduction in brokers' ownership in the market as "inaccurate and misleading". PSE rebutted this and pressed that they are in compliance with the Securities Regulations Code. PSEi ended at 8475.29 (-1.36% DoD).

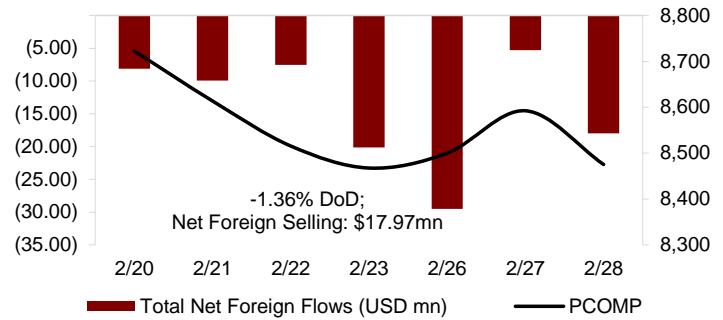
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.0079	3.4218	4 years	+0.3894	5.3696
3 months	-0.0120	3.0674	5 years	+0.0952	5.2522
6 months	+0.6543	3.6804	7 years	-0.0061	6.5939
1 year	-0.5642	3.3558	10 years	-0.0272	6.7339
2 years	+0.0300	4.2779	20 years	+0.4252	6.8733
3 years	-0.0339	4.2519			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.030	52.100	EUR/USD	1.2328	1.2328

PSEi Snapshot



Previous:	8,592.4	PSEi change:	-1.36%
High:	8,575.4	Best:	MER +2.94%
Low:	8,475.3	2nd best:	RRHI +2.81%
Close:	8,475.3	2nd worst:	ALI -3.29%
Val. traded (mn):	6,204.0	Worst:	JGS -4.00%

Fixed Income

- ✓ The **local fixed income yields** rose as the government budget deficit print for 2017 was lower-than-expected at Php 350.6bn, equivalent to 2.2% of GDP vs target of 3%. On average, the curve went up by 8.71 bps led by the long end which rose 13.06 bps.

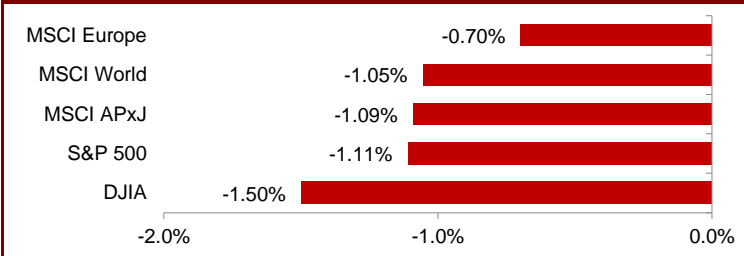
Philippine Peso

- ✓ The **Philippine peso** strengthened amid expectations of higher government spending as Budget Secretary Benjamin Diokno seeks to improve it by shifting methods from multi-year obligations-based budgeting to annual cash-based in 2019. The USD/PHP pair ended at 52.1 (+0.13% DoD).

OVERSEAS MARKETS

Global equities were down on the back of continued dampened sentiment as macroeconomic data releases in US and China were lower-than-expected, driving markets to jitters. US Treasury yields fell and the US Dollar rose as 4Q17 US GDP posted 2.5% growth.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0078	1.6518	5 years	-0.0202	2.6401
6 months	-0.0129	1.8469	10 years	-0.0328	2.8606
2 years	-0.0100	2.2500	30 years	-0.0346	3.1242

- ✓ **US equities** closed lower as markets remained worried over a faster pace of interest rate hikes. The DJIA closed at 25,029.20 (-1.50% DoD), while the S&P 500 was at 2,713.83 (-1.11% DoD).
- ✓ **European equities** declined over persistent worries on further tightening in US economic policy placing upward pressure on borrowing costs. The MSCI Europe index closed at 128.02 (-0.70% DoD).
- ✓ **Asian stocks** declined on weak Chinese manufacturing data (act. at 50.3 vs cons. at 51.1) and decreasing oil prices. The MSCI APxJ index closed at 577.95 (-1.09% DoD).
- ✓ **US Treasury yields** fell as the US 4Q17 GDP print came in-line with expectations at 2.5%, although lower than 3.2% in 3Q17. This tempered expectations that the Fed will take a more aggressive policy stance. Yields fell 3.28 bps on average, with 10YR yields down 3.28 bps to 2.8606.
- ✓ The **US dollar** mildly strengthened despite the recent release of weaker-than-expected US economic data, over lingering effects of investors' hawkish interpretation of Fed Chair Powell's tilt on fiscal policy. The DXY closed at 90.613 (+0.29% DoD).