

March 2, 2018

## LOCAL MARKETS

Worries over the pace of the Fed's policy tightening weighed on the local equities market, with net foreign selling continuing ahead of US Fed Chair Powell's next speech. Local fixed income yields rose as the BSP may also hike rates in its next policy meeting in March, while the PHP continued to depreciate on soft economic data prints.

### Key Events

- ✓ **Metro Pacific Investments Corp. (PSEi Ticker: MPI)** announced that their consolidated core net income increased by 17% to PHP 14.1bn in 2017 from PHP 12.1bn in 2016 driven by the its magnified presence in the power industry.
- ✓ The **Producer Price Index** released by the **Philippine Statistics Authority (PSA)** posted 0.3% growth MoM in January 2017 to 131.41 from December 2017's 131.1, but declined by 2% YoY.

### Equities

- ✓ **Local equities** continued to slide as investors anticipate US Fed Chairman Powell's next speech, as his previous engagement raised bets on a faster pace to tightening policy. The PSEi lost 0.11% DoD, closing at 8,465.77.

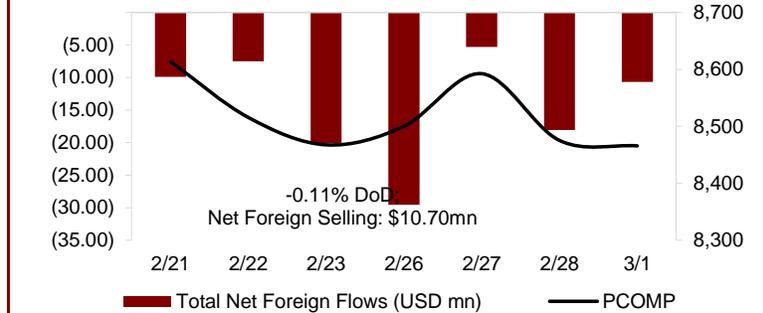
### Bond Market Movement

| Tenor    | Change  | Yield  | Tenor    | Change  | Yield  |
|----------|---------|--------|----------|---------|--------|
| 1 month  | +0.0078 | 3.4296 | 4 years  | -0.2120 | 5.1576 |
| 3 months | -0.0148 | 3.0526 | 5 years  | +0.0369 | 5.2891 |
| 6 months | +0.0092 | 3.6896 | 7 years  | +0.0418 | 6.6357 |
| 1 year   | +0.2088 | 3.5646 | 10 years | +0.0679 | 6.8018 |
| 2 years  | +0.0142 | 4.2921 | 20 years | +0.0924 | 6.9657 |
| 3 years  | +0.7856 | 5.0375 |          |         |        |

### Foreign Exchange

|         | Previous | Close  |         | Previous | Close  |
|---------|----------|--------|---------|----------|--------|
| PHP/USD | 52.100   | 51.920 | EUR/USD | 1.2221   | 1.2221 |

### PSEi Snapshot



|                          |         |                     |            |
|--------------------------|---------|---------------------|------------|
| <b>Previous:</b>         | 8,475.3 | <b>PSEi change:</b> | -0.11%     |
| <b>High:</b>             | 8,503.7 | <b>Best:</b>        | SM +2.77%  |
| <b>Low:</b>              | 8,429.8 | <b>2nd best:</b>    | ALI +2.68% |
| <b>Close:</b>            | 8,465.8 | <b>2nd worst:</b>   | AEV -2.45% |
| <b>Val. traded (mn):</b> | 3,970.4 | <b>Worst:</b>       | JGS -5.42% |

### Fixed Income

- ✓ The **local fixed income yields** broadly rose across all tenors as market participants started to price in a 25bps rate hike by the BSP in their March monetary board meeting. On average, yields rose by 9.43 bps, led by the belly which rose 15.62 bps.

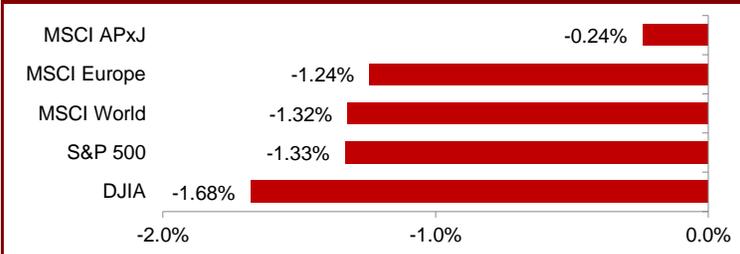
### Philippine Peso

- ✓ The **Philippine Peso** continued to weaken as the manufacturing PMI was weaker than expected at 50.8 (prior at 51.7), adding to concerns over the Philippines' growing trade and current account deficits. The USD/PHP lost 0.35% DoD to 51.92.

## OVERSEAS MARKETS

All global assets ended on negative territory after Trump announced his intent to impose tariffs on steel and aluminum imports and as European earnings reported mixed growth. Meanwhile, Japan's weaker-than-expected economic data worried BoJ that they will not be able to hit the 2% inflation target.

### Global Markets



### US Treasuries

| Tenor    | Change  | Yield  | Tenor    | Change  | Yield  |
|----------|---------|--------|----------|---------|--------|
| 3 months | -0.0409 | 1.6109 | 5 years  | -0.0604 | 2.5797 |
| 6 months | -0.0181 | 1.8288 | 10 years | -0.0528 | 2.8078 |
| 2 years  | -0.0383 | 2.2117 | 30 years | -0.0408 | 3.0834 |

- ✓ **US equities** declined quickly following Trump's announcement of his plans to impose 25% tariffs on steel and 10% tariffs on aluminum imports as soon as next week. The DJIA closed at 24,608.98 (-1.68% DoD) while the S&P 500 ended at 2,677.67 (-1.33% DoD).
- ✓ **European equities** ended in the red on the back of mixed earnings reports after advertising giant WPP and French retailer Carrefour announced lower 2018 net sales. Meanwhile, Peugeot, AB InBev, Luxottica, and Burberry exceeded expectations. The MSCI Europe closed at 126.43 (-1.24% DoD).
- ✓ **Asian stocks** fell as Goushi Kataoka of BoJ stated that even though Japan is no longer facing deflationary prices, inflation might still have a hard time hitting the 2% target. The MSCI APxJ ended at 576.55 (-0.24% DoD).
- ✓ **US Treasury yields** slightly fell as investors digested Powell's testimony that the economy isn't overheating. Markets took this as a sign that the central bank may not quicken the pace of monetary tightening. On average, yields fell 4.19bps, with the 10-year falling 5.28 bps.
- ✓ The **US Dollar** mildly weakened as a looming imposition of substantial tariffs on imported steel and aluminum by US President Trump may adversely affect US trade relations. The DXY closed at 90.324 (-0.32% DoD).

