

March 5, 2018

## LOCAL MARKETS

Local equities and bond yields were relatively flat as markets continued to remain cautious ahead of the release of the February inflation data on Tuesday. Meanwhile, the peso marginally strengthened amid US President Trump's announcement on tariffs.

### Key Events

- San Miguel Corporation (**PSE Ticker:SMC**) was permitted by the SEC to sell Fixed Rate Bonds of Php 20 Bn with an oversubscription option of up to Php10 Bn under the Php 60 Bn shelf registration of SMC. The bonds will be issued on March 19 with a tenor of 5-year, 7-year and 10-year and a fixed interest of 6.2500%, 6.6250% and 7.1250%, respectively.
- Bangko Sentral ng Pilipinas, Department of Economic Research estimated inflation will fall within 4-4.8%. Inflation is likely to be driven by the prices of food, fuel and electricity on the back of the TRAIN law that puts higher taxes on specified goods such as fuel, cars and sugar-sweetened drinks.

### Equities

- Local equities** was flat, remaining below 8,500, as traders continue to fret over the prospect of higher inflation and interest rates. The PSEi lost 0.09% DoD, closing at 8,458.57.

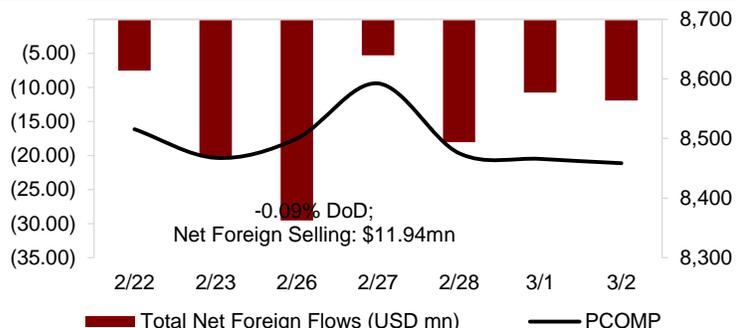
### Bond Market Movement

| Tenor    | Change  | Yield  | Tenor    | Change  | Yield  |
|----------|---------|--------|----------|---------|--------|
| 1 month  | -0.0153 | 3.4143 | 4 years  | -0.0115 | 5.1461 |
| 3 months | +0.3588 | 3.4114 | 5 years  | -0.0079 | 5.2812 |
| 6 months | -0.0146 | 3.6750 | 7 years  | +0.0182 | 6.6539 |
| 1 year   | +0.3711 | 3.9357 | 10 years | -0.0107 | 6.7911 |
| 2 years  | +0.0037 | 4.2958 | 20 years | +0.0664 | 7.0321 |
| 3 years  | -0.3822 | 4.6553 |          |         |        |

### Foreign Exchange

|         | Previous | Close  |         | Previous | Close  |
|---------|----------|--------|---------|----------|--------|
| PHP/USD | 51.920   | 51.900 | EUR/USD | 1.2188   | 1.2188 |

### PSEi Snapshot



|                   |         |              |            |
|-------------------|---------|--------------|------------|
| Previous:         | 8,465.8 | PSEi change: | -0.09%     |
| High:             | 8,458.6 | Best:        | URC +2.55% |
| Low:              | 8,337.7 | 2nd best:    | MPI +2.13% |
| Close:            | 8,458.6 | 2nd worst:   | DMC -3.50% |
| Val. traded (mn): | 3,925.4 | Worst:       | JGS -4.99% |

### Fixed Income

- The **local fixed income yields** slightly rose amid low trading volume as market participants stayed on the sidelines ahead of the release of the February CPI print on Tuesday. On average, yields rose by 3.42 bps, led by the short-end, which rose 17.50 bps.

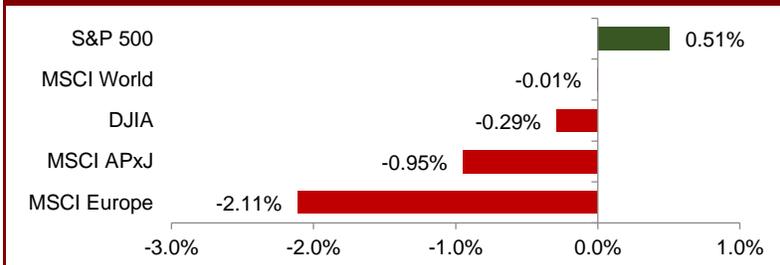
### Philippine Peso

- The **Philippine Peso** was steady amidst fears of a looming global trade war in the horizon as US President Donald Trump announces tariffs on steel and aluminum. The USD/PHP lost 0.04% DoD to 51.90.

## OVERSEAS MARKETS

Global equities and the US Dollar ended on negative territory following Trump's announcement of tariffs on steel and aluminum and political gridlock in Italy. Meanwhile, US Treasury yields rose on the back of risks of higher import prices.

### Global Markets



### US Treasuries

| Tenor    | Change  | Yield  | Tenor    | Change  | Yield  |
|----------|---------|--------|----------|---------|--------|
| 3 months | +0.0278 | 1.6387 | 5 years  | +0.0486 | 2.6283 |
| 6 months | +0.0048 | 1.8336 | 10 years | +0.0565 | 2.8643 |
| 2 years  | +0.0301 | 2.2418 | 30 years | +0.0564 | 3.1398 |

- US equities** were steady as investors bet that Trump's declaration of huge tariffs on steel and aluminum will not translate into a disruption of global growth. The DJIA closed at 24,538.06 (-0.29% DoD) while the S&P 500 ended at 2,691.25 (+0.51% DoD).
- European equities** declined last Friday amid uncertainties over the Italian vote as polls signal a hung parliament, and Germany's Social Democrats back a government coalition with Angela Merkel. The MSCI Europe closed at 123.76 (-2.11% DoD).
- Asian stocks** fell led by Asian steel makers following President Trump's announcement of increasing tariffs for steel and aluminum imports. The MSCI APxJ ended at 571.09 (-0.95% DoD).
- US Treasury yields** rose following hawkish statements from BoJ Chief Kuroda on the timeframe of Japan's possible exit on monetary stimulus. Kuroda stated that they will be debating on the exit by March 2020. On average, yields advanced 3.74 bps, with the 10-year increasing 5.65 bps.
- The **US Dollar** slid as investors took profit after reaching multiweek highs on the back of strong economic data and hawkish statements from Fed Chair Jerome Powell. The DXY closed at 89.935 (-0.43% DoD).

