

March 9, 2018

LOCAL MARKETS

The local equities market declined amid profit taking from yesterday's MOC (market on close) buying while local fixed income yields slumped after a lower-than-expected trade deficit. The Philippine Peso advanced after President Trump officially slapped tariffs on all nations except Mexico and Canada.

Key Events

- ✓ **PLDT Inc. (PSE Ticker:TEL)** met its recurring income guidance for FY17 at Php22.3bn (+11% YoY). However, headline profit declined by 33% after booking a total of Php20.5bn in accelerated depreciation and impairment charges for network modification.
- ✓ According to the **Bangko Sentral ng Pilipinas (BSP)**, banks' loans to real estate dwindled in 2017, only growing 14.7% vs 2016's 19.5% due to the 16.3% increase in property loans. Also, the BSP's stricter rules for exposure in real estate might have contributed to the slower growth.

Equities

- ✓ The **local equities market** ended in negative territory as investors took profits after yesterday's MOC (market on close) buy-up. Net foreign selling continued, amounting to US\$13.8m which was mainly focused on large cap index names. The PSEI ended at 8,381.85 (-0.27% DoD).

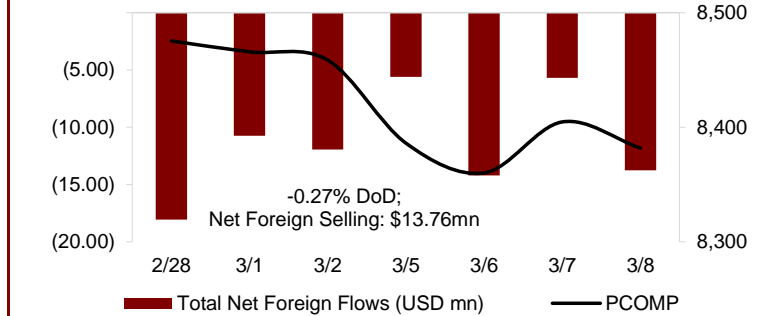
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.8620	2.5616	4 years	-0.0723	5.0646
3 months	+0.0054	3.4418	5 years	+0.0047	5.4973
6 months	+0.0089	3.6946	7 years	+0.0446	6.6571
1 year	+0.3914	3.4602	10 years	-0.8108	5.9367
2 years	-0.0647	4.3011	20 years	+0.0471	6.6270
3 years	+0.0274	4.4526			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	51.980	52.030	EUR/USD	1.2435	1.2379

PSEi Snapshot



Previous:	8,404.7	PSEi change:	-0.27%
High:	8,389.7	Best:	FGEN +7.04%
Low:	8,350.5	2nd best:	RLC +3.98%
Close:	8,381.9	2nd worst:	JFC -2.96%
Val. traded (mn):	3,214.2	Worst:	BDO -3.10%

Fixed Income

- ✓ The **local fixed income yields** edged lower as Philippine January exports grew by 0.5% YoY to \$5.2bn, bringing trade deficit to \$3.3 bn, lower than the \$3.5bn estimate. Exports was slower than December 2017's 2.3% register and is expected to fall by 3.1% vs 2017. On average, yields fell 11.64 bps.

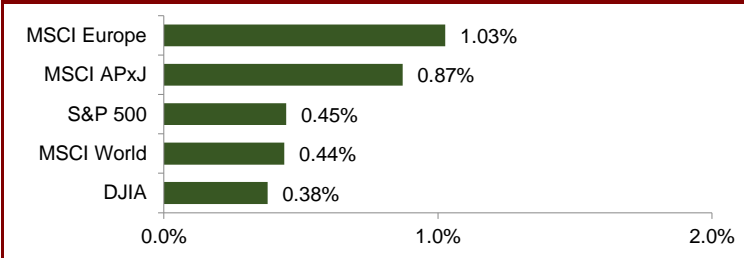
Philippine Peso

- ✓ The **Philippine peso** advanced against the greenback after Trump officially slapped 25% tariffs on steel and 10% on aluminum on all nations except for Mexico and Canada, but left the table open for trade negotiations with other allies. The USD/PHP pair closed at 52.03 (+0.10% DoD).

OVERSEAS MARKETS

Global equities and the US Dollar climbed as fears of a trade war slightly waned after President Trump cited tariff exemptions for its NAFTA partners and possibly other trade allies. Meanwhile, US Treasury yields declined as traders anticipate positive labor market data on February US payrolls report.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0205	1.6543	5 years	-0.0185	2.6300
6 months	-0.0001	1.8701	10 years	-0.0256	2.8571
2 years	-0.0021	2.2498	30 years	-0.0280	3.1218

- ✓ **US equities** rose on dissipating fears of a trade war, as the White House signalled that it would exclude Canada, Mexico and other countries from tariffs on national security grounds. The DJIA closed at 24,895.21 (+0.38% DoD) while the S&P 500 ended at 2,738.97 (+0.45% DoD).
- ✓ **European equities** climbed even as the EU took a more hawkish stance on asset purchases, as rising protectionism in global trade may pose a threat to its continued economic recovery. The MSCI Europe closed at 126.89 (+1.03% DoD).
- ✓ **Asian stocks** were up as geopolitical tensions between the US and North Korea recede, and as room for negotiation remains with regards to the imposition of US trade tariffs. The MSCI APxJ ended at 575.97 (+0.87% DoD).
- ✓ **US Treasury yields** declined ahead of the February US payrolls report, which is projected to provide positive labor market data. On average, yields declined 1.58 bps, with the 10-year decreasing 2.56 bps.
- ✓ The **US Dollar** rose as President Trump signed the tariff order on steel and aluminum but allowed exemptions for Mexico and Canada while NAFTA renegotiations are still ongoing. The DXY closed at 90.179 (+0.60% DoD).

