

March 13, 2018

LOCAL MARKETS

Domestic equities rose as it tracked positivity from US equities overnight, while local fixed income yields declined on comments from BSP Governor Espenilla regarding Philippine fiscal policy. Meanwhile, the Philippine peso marginally strengthened amid record high foreign direct investment (FDI) in 2017.

Key Events

- ✓ **SM Group (PSE ticker: SM)** plans to spend Php66.3bn in 2018, led by SM Prime's Php50bn to develop lifestyle projects including malls, high rise residential and leisure homes. BDO and CHIB are planning to spend Php5bn for branch expansion and IT enhancements. SM Retail also plans to spend Php5.2bn for store expansion.
- ✓ **Foreign Direct Investments** reached a record US\$10.049bn in 2017. This is a 21% year-on-year increase versus the US\$8.28bn in 2016 and also higher than the full year US\$8bn target set by the BSP. Net equity capital was up by 25.9% yoy to US\$3.263bn as gross placements increased by 17.5% yoy to US\$3.742bn, while withdrawals shrank by 19.3% yoy to US\$479m.

Equities

- ✓ The **local equities market** opened higher and sustained its momentum throughout the day, buoyed by the relief rally in US markets amid easing of wage inflation for the month of February. Foreign investors continued to be net sellers, potentially due to the continued weakness of the Peso. The PSEi ended at 8,453.50 (+0.97% DoD).

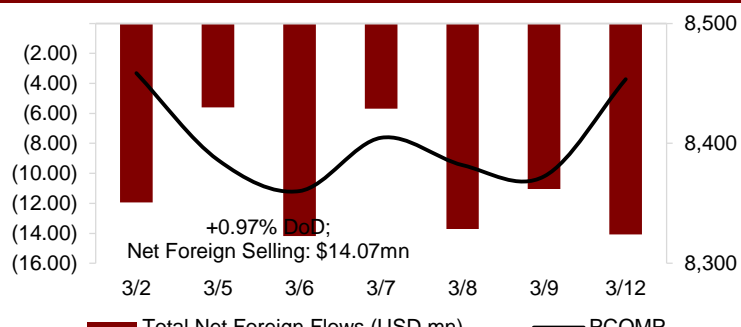
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.9169	2.5063	4 years	+0.0005	5.1760
3 months	+0.0300	3.4690	5 years	+0.0096	5.4797
6 months	+0.0500	3.7321	7 years	+0.0232	6.6518
1 year	+0.0222	3.6851	10 years	+0.0482	5.9872
2 years	-0.0087	4.3241	20 years	+0.4299	7.0861
3 years	-0.7964	4.4000			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.030	52.040	EUR/USD	1.2307	1.2312

PSEi Snapshot



Previous:	8,372.5	PSEi change:	0.97%
High:	8,484.7	Best:	RLC +4.44%
Low:	8,425.9	2nd best:	FGEN +4.32%
Close:	8,453.5	2nd worst:	SCC -1.64%
Val. traded (mn):	3,890.2	Worst:	MPI -4.87%

Fixed Income

- ✓ **Local fixed income yields** ended lower on comments from BSP Governor Espenilla that the BSP will not track the Fed's planned interest rate hikes "one for one", citing that inflation remains to be manageable and that policy will depend more on domestic economic conditions. On average, the curve fell by 10.08 bps, led by the short end of the curve which fell by 20.37 bps.

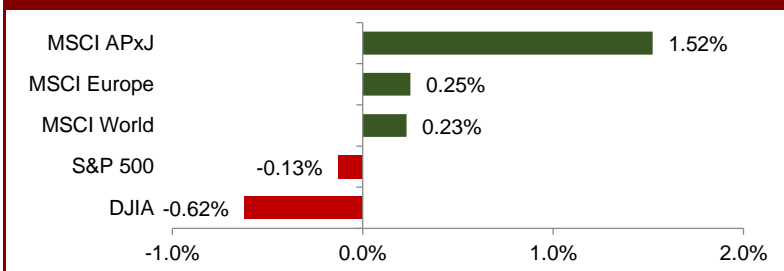
Philippine Peso

- ✓ The **Philippine Peso** strengthened on the back of strong foreign direct investment (FDI) into the country. FDI posted a record of US\$10.049bn in 2017, a 21% increase from last year's US\$8.28 bn. The USD/PHP pair closed at 52.04 (+0.02% DoD).

OVERSEAS MARKETS

US equities declined as Trump stoked fears of a full-blown trade war. Meanwhile, European equities climbed on ECB President Draghi's dovish rhetoric on policy, while Asian stocks rose as investors anticipate key economic data from China. Lastly, US Treasury yields fell amid tepid demand during recent US Treasury auctions, while the US dollar depreciated on sluggish US wage growth.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0152	1.6744	5 years	-0.0152	2.6350
6 months	+0.0025	1.8697	10 years	-0.0257	2.8681
2 years	+0.0040	2.2620	30 years	-0.0288	3.1292

- ✓ **US equities** declined, weighed down by industrials, as Trump's rhetoric raised the prospect of a full-blown trade war. The DJIA closed at 25,178.61 (-0.62% DoD) while the S&P 500 ended at 2,783.02 (-0.13% DoD).
- ✓ **European equities** increased amid the ECB President Draghi's dovish talk, saying that while they are more confident in the economy, they are not planning to taper the QE quickly. The MSCI Europe closed at 127.73 (+0.25% DoD).
- ✓ **Asian stocks** went up as investors anticipate China data on industrial production, retail sales and fixed-asset investment which are forecasted as likely to point to slower growth. The MSCI APxJ ended at 589.63 (+1.52% DoD).
- ✓ **US Treasury yields** slid amid lacklustre demand for the 3 and 10 year notes auctioned by the US Treasury department as investors chose to stay on the sidelines ahead of the release of CPI Inflation data on Tuesday. On average, yields fell by 0.80 bps, with the 10-year declining 2.57 bps.
- ✓ The **US Dollar** continued to fall as traders digested last Friday's US jobs report which showed disappointing wage growth. The DXY closed at 89.895 (-0.22% DoD).

