

March 19, 2018

LOCAL MARKETS

Local equities mildly recovered as market players began to bargain hunt following the sell-off in the past week. Local fixed income yields rose as traders positioned ahead of policy meetings for the week, while the peso appreciated despite a record current account deficit of \$2.52bn in 2017.

Key Events

- ✓ **LT Group, Inc. (PSE Ticker: LTG)** reported FY2017 net income of P10.83bn (+15% YoY) from Php9.39 Bn in FY2016. The increase in LTG's net income was driven by an uptick in PNB's net income, which contributes 45% to the LT Group's total income.
- ✓ **Bangko Sentral ng Pilipinas (BSP)** released the 2016 Philippine Flow of Funds (FOF) Report, which showed that the domestic economy's savings was at an aggregated amount of P 3,459.9bn in 2016. Non-financial corporations were reported as the top savers, contributing P2.020.6bn, which is attributable to the high profitability of the industry and service sectors.

Equities

- ✓ The **local equities market** bounced back amid continued sell-off during the week due to the FTSE rebalancing, as investors began to look for bargains as the market approached its support level of 8,265. The PSEi rose by 0.59% to 8,238.2.

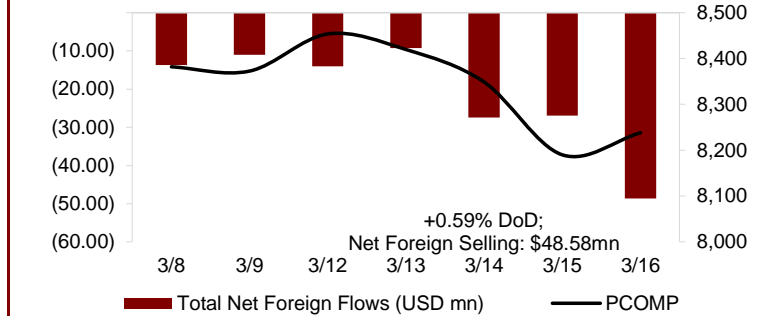
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.0182	3.1839	4 years	-0.0533	5.4338
3 months	+0.0012	2.9756	5 years	-0.0588	5.5230
6 months	-0.0846	3.0261	7 years	-0.3840	6.7571
1 year	+0.9906	4.0393	10 years	-0.1202	6.1865
2 years	+0.0750	4.3598	20 years	+0.4863	7.1629
3 years	-	4.4000			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.030	51.930	EUR/USD	1.2362	1.2290

PSEi Snapshot



Previous:	8,190.0	PSEi change:	0.59%
High:	8,258.1	Best:	JFC +7.54%
Low:	8,156.2	2nd best:	MEG +3.16%
Close:	8,238.2	2nd worst:	MBT -3.57%
Val. traded (mn):	15,952.5	Worst:	AEV -5.01%

Fixed Income

- ✓ **Local fixed income yields** sharply rose, led by the short end, as traders position ahead of the Fed and BSP policy meetings this week. While the BSP is not expected to raise rates, rhetoric from the upcoming Fed meeting will dictate the pace of policy tightening moving forward. On average, the curve moved up by 7.58bps, led by the short end rising by 22.23 bps.

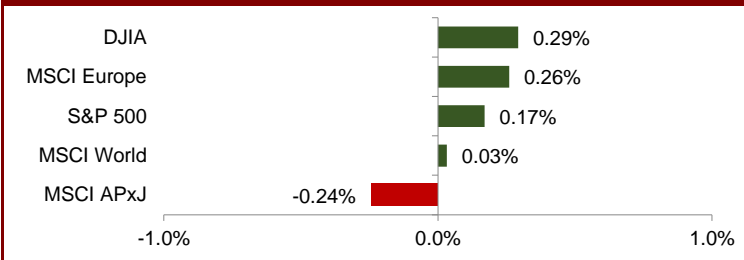
Philippine Peso

- ✓ The **Philippine Peso** marginally weakened on a record current account deficit of USD\$2.52bn in 2017. USD/PHP pair closed at 51.93, a -0.19% depreciation of the peso.

OVERSEAS MARKETS

Global equities were flat as the markets adopted a wait-and-see ahead of the FOMC meeting later this week. However, recent upbeat economic data releases in the US helped the DXY and UST yields edge higher.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0075	1.7691	5 years	+0.0169	2.6418
6 months	+0.0023	1.9395	10 years	+0.0165	2.8445
2 years	+0.0063	2.2909	30 years	+0.0186	3.0770

- ✓ **US equities** were marginally flat with an upward bias after the the consumer sentiment index of the University of Michigan showed upbeat March results (102 actual vs 99.5 est), its highest in 14 years. The DJIA ended at 24,946.51 (+0.29% DoD) while the S&P 500 closed at 2,752.01 (+0.17% DoD).
- ✓ **European equities** advanced even as Germany's DAX failed to open trading and on UK housebuilder Berkeley Group's announcement that it could not boost building volumes beyond current plans due to planning constraints. The MSCI Europe closed at 127.25 (+0.26% DoD).
- ✓ **Asian stocks** fell as markets anticipate a Fed rate hike this coming Thursday and mull over its implications on the Asian economy, should three more rate hikes be implemented in 2018. The MSCI APxJ closed at 586.91 (-0.24% DoD).
- ✓ **US Treasury yields** regained strength after February US Industrial Production data jumped by 1.1%, signalling a huge boost in the economy. On average, the curve rose 1.14 bps, with the 10Y increasing by 1.65bps.
- ✓ The **US Dollar** was steady as investors weighed the possibility of a trade war and upbeat economic data releases on US industrial production and consumer sentiment. The DXY closed at 90.233 (+0.10% DoD).

