

March 20, 2018

LOCAL MARKETS

Local equities ended marginally lower amid continuing fears of a trade war being triggered by escalating US Protectionism. Local fixed income yields declined as investors flock to safety following market uncertainties, while the peso weakened ahead of Central Bank meetings.

Key Events

- ✓ **Megaworld Corporation (PSE Ticker : MEG)** is set to turn over P30bn worth of projects this year. This is the biggest inventory for turnover in Fort Bonifacio within the year, where demand for residential projects continues to go up.
- ✓ **Bangko Sentral ng Pilipinas (BSP)** reported a US\$429mn deficit in the country's overall balance of payments (BOP) position for February 2018, putting cumulative 2018 BOP position at US\$961 Mn compared to US\$445Mn in 2017. The BOP deficit was driven by the widening merchandise deficit in Jan 2018 as well as higher net outflows of foreign portfolio investments from January to February.

Equities

- ✓ The **local equities market** closed marginally lower due to lingering fears over US protectionist policies and as investors anticipate the Fed's policy meeting on Thursday. The PSEi fell by 0.03% to 8,235.54.

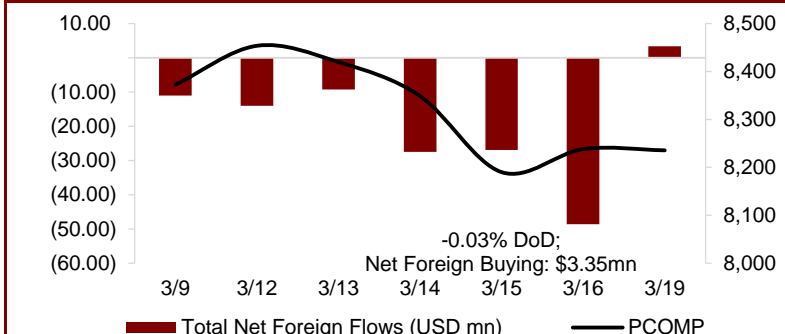
Bond Market Movement

| Tenor | Change | Yield | Tenor | Change | Yield |
|----------|---------|--------|----------|---------|--------|
| 1 month | -0.0214 | 3.1625 | 4 years | +0.0138 | 5.4476 |
| 3 months | -0.0112 | 2.9644 | 5 years | -0.0031 | 5.5199 |
| 6 months | -0.0228 | 3.0033 | 7 years | +0.0304 | 6.7875 |
| 1 year | -0.9993 | 3.0400 | 10 years | -0.0996 | 6.0869 |
| 2 years | -0.0615 | 4.2983 | 20 years | -0.4376 | 6.7253 |
| 3 years | +0.1451 | 4.5451 | | | |

Foreign Exchange

| | Previous | Close | | Previous | Close |
|---------|----------|--------|---------|----------|--------|
| PHP/USD | 51.930 | 52.100 | EUR/USD | 1.2290 | 1.2293 |

PSEi Snapshot



| | | | |
|-------------------|---------|--------------|------------|
| Previous: | 8,238.2 | PSEi change: | -0.03% |
| High: | 8,240.1 | Best: | AC +2.02% |
| Low: | 8,169.0 | 2nd best: | BDO +1.64% |
| Close: | 8,235.5 | 2nd worst: | AP -2.50% |
| Val. traded (mn): | 4,682.3 | Worst: | SCC -6.66% |

Fixed Income

- ✓ **Local fixed income yields** sharply dropped, led by the short end, as investors flocked to safety following the political noise generated by Trump's escalation towards protectionism threatening global trade. On average, the curve moved down by 13.34bps, led by the short end dropping by 26.37 bps.

Philippine Peso

- ✓ The **Philippine Peso** continued to weaken ahead of Central Bank meetings this week, as the Fed is expected to hike rates faster than the BSP. The USD/PHP pair depreciated, closing at 52.1 (+0.33%DoD).

OVERSEAS MARKETS

All global equities ended in the red as US Treasury yields surged, amid a sell-off in tech shares and as investors positioned ahead of the FOMC meeting, wherein the FED is expected to hike rates for the first time this year. The US dollar declined due to a rally in the British pound following developments in Brexit.

Global Markets

| | |
|-------------|--------|
| MSCI APxJ | -0.65% |
| MSCI Europe | -1.11% |
| MSCI World | -1.11% |
| DJIA | -1.35% |
| S&P 500 | -1.42% |

US Treasuries

| Tenor | Change | Yield | Tenor | Change | Yield |
|----------|---------|--------|----------|---------|--------|
| 3 months | -0.0129 | 1.7562 | 5 years | +0.0135 | 2.6553 |
| 6 months | +0.0154 | 1.9549 | 10 years | +0.0110 | 2.8555 |
| 2 years | +0.0166 | 2.3075 | 30 years | +0.0089 | 3.0859 |

- ✓ **US equities** were sharply lower as markets digested reports of a Facebook data breach and Apple's development of its own screens, putting its relationship with Samsung at risk. The DJIA ended at 24,610.91 (-1.35% DoD) while the S&P 500 closed at 2,712.92 (-1.42% DoD).
- ✓ **European equities** extended last week's pullback as investors stayed on the sidelines due to a Fed rate hike expectation. Also, indices were pulled lower by disappointing earnings result from Micro Focus. The MSCI Europe closed at 125.84 (-1.11% DoD).
- ✓ **Asian stocks** were marginally lower as markets mirrored slump in Wall Street. However, Yi Gang, the new governor of the central bank of China, expressed his desire to internationalize the renminbi and continue prudent monetary policy. The MSCI APxJ closed at 583.12 (-0.65% DoD).
- ✓ **US Treasury yields** climbed with the 2-year treasury note hitting a 10 year high. Investors positioned ahead of the 2-day FOMC meeting starting on Tuesday, wherein the Fed is expected to hike rates for the first time this year. On average, the curve rose 0.88 bps, with the 10Y up by 1.1 bps.
- ✓ The **US Dollar** declined due to a rally in the British pound following developments in Brexit negotiations. The DXY closed at 89.765 (-0.52% DoD).

