

March 23, 2018

## LOCAL MARKETS

Local equities bounced back, local fixed income yields declined, and the peso was steady as the BSP kept its key policy rate unchanged at 3.0%, due to its assessment that inflation remains within their targets.

### Key Events

- ✓ **Pilipinas Shell Petroleum Corporation (PSE Tikcer: SHLPH)** plans to spend Php 4.289 Bn in capital expenditure this year, an 8% increase from Php 4.665 Bn in 2017. The planned capital expenditure increase is mainly for its retail, manufacturing, and supply business. SHLPH also disclosed its target capital expenditure for 2019 and 2020 at Php 3.903 Bn and Php 4.196 Bn respectively.
- ✓ **Bangko Sentral ng Pilipinas (BSP)** decided to maintain its policy rate, the interest rate on the BSP's overnight reverse repurchase (RRP) facility, steady at 3.0%. The decision was based on its assessment that the latest baseline forecasts continue to show inflation remaining within the inflation target in 2018 and moderating in 2019.

### Equities

- ✓ **Local equities** marginally rose as investors anticipated the BSP Monetary Board's policy decision, with the Fed's decision to keep their outlook on the US economy relatively unchanged taken in a positive light. The PSEi was up by 2.72% to 8,124.45.

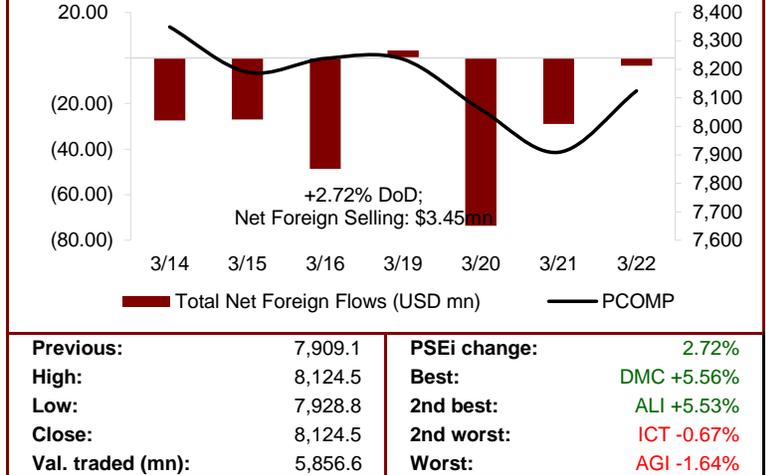
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.2348	2.7629	4 years	-0.2741	4.9758
3 months	-0.0289	2.8908	5 years	-0.0925	5.2437
6 months	+0.0388	3.0404	7 years	-0.2607	6.5786
1 year	+0.0317	4.1196	10 years	-0.0493	6.0736
2 years	-0.1131	4.1430	20 years	-0.1336	7.0843
3 years	-0.6962	4.6092			

### Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	52.150	52.200	EUR/USD	1.2283
				1.2318

### PSEi Snapshot



### Fixed Income

- ✓ **Local fixed income yields** declined as the BSP maintained its key policy rate at 3.0%, bucking expectations of an increase. On average, the curve moved down by 12.21bps, led by the belly declining by 29.40 bps.

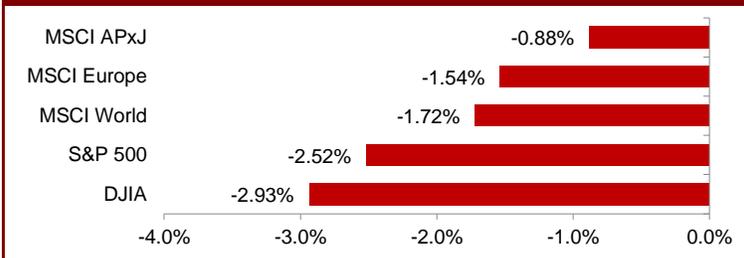
### Philippine Peso

- ✓ The **Philippine Peso** fell slightly following the BSP Monetary Board's decision to maintain its monetary policy stance and keep rates unchanged. The USD/PHP pair rose to 52.20, an effective 0.10% depreciation of the Peso against the greenback.

## OVERSEAS MARKETS

Global equity markets broadly declined amid the resurfacing of trade tensions. In addition, Asian equities fell as investors digested the PBOC's decision to follow the Fed, while European equities declined on weak economic data. Moreover, US Treasury yields marginally fell and the Dollar was flat on extended reaction to the Federal Reserve's rate hike trajectory.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0308	1.7105	5 years	-0.0510	2.6231
6 months	-0.0130	1.9217	10 years	-0.0586	2.8244
2 years	-0.0269	2.2786	30 years	-0.0562	3.0624

- ✓ **US equities** declined as investors shifted their focus from the federal reserve to the threat of an escalating trade war following China's retaliation, which is deemed to possibly disrupt global growth. The DJIA fell to 23,957.89 (-2.93% DoD), while the S&P 500 closed at 2,643.69 (-2.52% DoD).
- ✓ **European equities** tumbled as trade tensions gain back attention and retake center stage. Sentiment was also dampened by weaker-than-expected economic data – Eurozone manufacturing PMI actual 56.6 vs. consensus 58.1. The MSCI Europe ended at 124.38 (-1.54% DoD).
- ✓ **Asian equities** fell as the PBOC's decision to follow the Federal Reserve's rate hike weighed in on markets. The MSCI APxJ declined to 578.12 (-0.88% DoD).
- ✓ **US Treasury yields** fell in reaction to the FOMC meeting, where Powell hiked rates by 25bps and signalled a cycle of gradual tightening of monetary policy, which may continue until 2020. On average, the curve went down by 3.94 bps with the 10Y falling 5.86bps to close at 2.8244 .
- ✓ The **US Dollar** was relatively flat on continued disappointment by the Fed's rate hike trajectory, as well as the marginal upgrade in their forecasts for GDP, inflation and unemployment. The DXY closed at 89.857 (+0.08% DoD).