

March 26, 2018

LOCAL MARKETS

Local equities declined as risk-off sentiment returned to markets following fears of a global trade war escalating. Local fixed income yields declined and the Philippine Peso depreciated on the back on increasing inflationary expectations.

Key Events

- ✓ **Robinsons Retail Holdings, Inc. (PSE Ticker: RRHI)** announced that they will acquire Dairy Farm's 100% stake in RSCI, and in exchange, Dairy Farm will acquire new shares in RRHI equivalent to 12.15% stake in the enlarged share capital at Php94.00 per share for a total of US\$346m. Dairy Farm will also acquire a 6.1% stake in RRHI from existing controlling shareholders at US\$174m.
- ✓ **The Bureau of Treasury** announced a budget surplus of Php10.2 Bn for the first month of 2018 with the revenue posting 19% yoy growth against expenditure growth of 15% yoy, resulting to a surplus of almost five times higher than that recorded a year ago. The revenue expansion was mainly from the BIR collection of excise taxes brought about by TRAIN.

Equities

- ✓ **Local equities** declined as risk-off sentiment returned to markets following mounting fears over a global trade war. The PSEI was down by 1.89% day-on-day to 7,970.80.

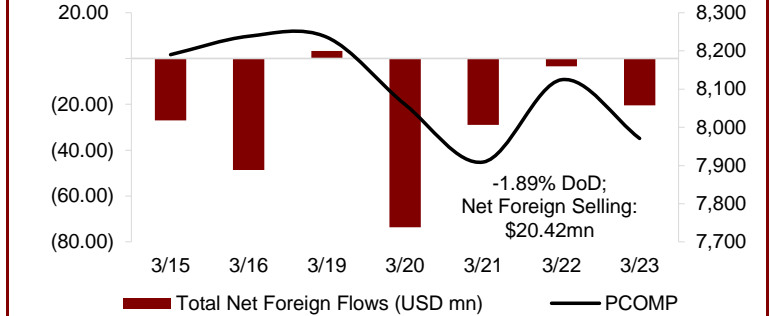
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.4835	3.2464	4 years	-0.0086	4.9672
3 months	+0.3762	3.2670	5 years	-0.0821	5.1616
6 months	+0.2667	3.3071	7 years	+0.1700	6.7486
1 year	-1.1196	3.0000	10 years	-0.0999	5.9737
2 years	-0.0086	4.1344	20 years	+0.1046	7.1889
3 years	-0.2493	4.3599			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	52.200	52.390	EUR/USD	1.2318
				1.2353

PSEi Snapshot



Previous:	8,124.5	PSEi change:	-1.89%
High:	7,980.7	Best:	RLC +2.25%
Low:	7,923.7	2nd best:	JFC +0.42%
Close:	7,970.8	2nd worst:	GTCAP -3.23%
Val. traded (mn):	5,198.1	Worst:	ALI -3.81%

Fixed Income

- ✓ **Local fixed income yields** declined and steepened as inflation is expected to keep rising to hit a peak in July to September, according to the BSP. On average, the curve moved down by 1.52bps, led by the belly declining by 8.71 bps.

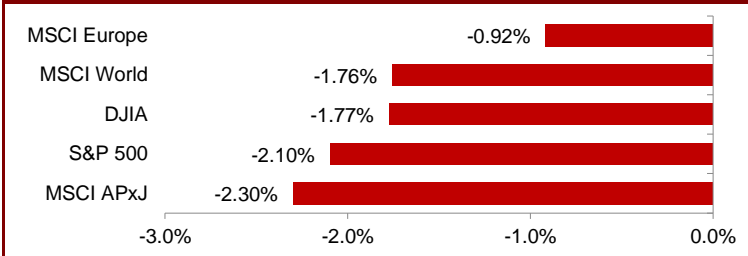
Philippine Peso

- ✓ The **Philippine Peso** depreciated on the market's concern over the BSP's monetary policy, as the central bank is perceived to be behind the curve by maintaining policy rates despite rising inflation risks. The USD/PHP pair rose to 52.39, a 0.36% depreciation of the Peso against the greenback.

OVERSEAS MARKETS

Global equity markets and the US Dollar ended in the red as the escalating fears of a global trade war prompted a broad sell-off. US Treasury yields were marginally unchanged amid the uncertainty caused by trade friction.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0049	1.7154	5 years	-0.0238	2.5993
6 months	-0.0235	1.8982	10 years	-0.0109	2.8135
2 years	-0.0248	2.2538	30 years	-0.0016	3.0608

- ✓ **US equities** plummeted on fears that the lingering trade conflict between the U.S. and China would escalate. The DJIA fell to 23,533.20 (-1.77% DoD), while the S&P 500 declined to 2,588.26 (-2.10% DoD).
- ✓ **European stocks** slid to a 1-year low as trade war fears continue to rattle markets. The MSCI Europe ended at 123.24 (-0.92% DoD).
- ✓ **Asian equities** fell as the escalating trade spat between US and China continues to dampen investor sentiment. The MSCI Asia Pacific ex-Japan closed at 564.83 (-2.30%).
- ✓ **US Treasury yields** marginally fell on range trading as the looming trade war pushed more uncertainty over the direction of global growth. On average, the curve fell 1.33bps, with the 10-year falling 1.09bps to 2.8135.
- ✓ The **US Dollar** declined over an escalating trade war between the US and China, following Trump's announcement of over \$50bn tariffs to be imposed on Chinese imports and China's swift response. The DXY closed at 89.436 (-0.47% DoD).

