

April 4, 2018

LOCAL MARKETS

The local equities market rose marginally and the Philippine peso closed unfavorably, a result of continued risk-off attitude among foreign investors. Meanwhile, fixed income yields fell as investors position ahead of key inflation data.

Key Events

- ✓ **First Gen Corporation (PSE Ticker: FGEN)** aims to secure power supply contract for 92% of the capacity it generates this year. The contracting target comes after the company's announcement on forgoing of a power supply contract with distribution utility Manila Electric Co. (MERALCO) for the sale and purchase of around 414-megawatts (MW) of baseload capacity.
- ✓ The **Department of Finance (DOF)** announced that tax collections in January and February exceeded the targets programmed for those months. The Bureau of Internal Revenue's 2-month collection rose 10.8% YoY and Bureau of Customs 2-month collection increased 26.5% YoY. The increase in collection is attributed to the implementation of the tax reform program.

Equities

- ✓ The **local equities** market closed marginally higher with mixed results across sectors. Financials declined 1.13%, led by a decline in BPI and SECB. Net foreign selling continued, weighing down market optimism and capping opportunities for a rebound. The PSEi closed at 8,048.70 (+0.12% DoD).

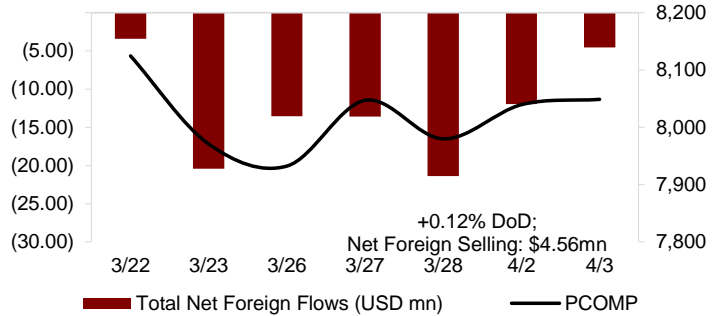
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.7166	2.5848	4 years	+0.0318	5.0070
3 months	+0.0309	3.0863	5 years	+0.0874	5.3141
6 months	-0.0399	3.1294	7 years	-0.1007	6.5975
1 year	-0.5932	3.5397	10 years	-0.8139	5.9500
2 years	+0.1328	4.2500	20 years	-0.0072	7.1857
3 years	+0.6787	5.2625			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.035	52.080	EUR/USD	1.2328	1.2324

PSEi Snapshot



Previous:	8,039.5	PSEi change:	0.12%
High:	8,071.7	Best:	SM +3.17%
Low:	7,976.3	2nd best:	GLO +2.71%
Close:	8,048.7	2nd worst:	SECB -2.88%
Val. traded (mn):	4,410.8	Worst:	MEG -3.97%

Fixed Income

- ✓ **Local fixed income yields** fell, particularly in the short- and long-end (-33 bps and -31 bps, respectively). Meanwhile, the belly of the curve rose by 23 bps. Investors may be positioning ahead of the inflation data which is likely to drive key decisions at the monetary board. On average, yields fell 11.91 bps.

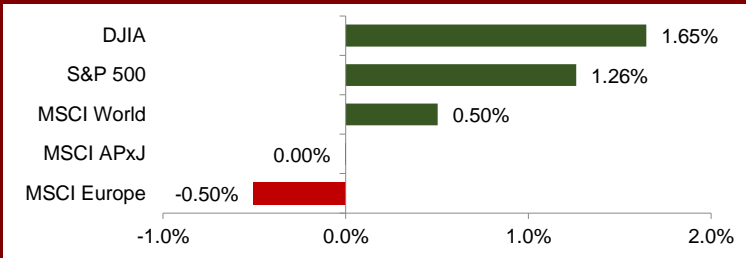
Philippine Peso

- ✓ The **Philippine peso** continued to weaken as tensions in global trade escalate. The tit-for-tat between US and China trade policies strikes risk-off behavior for currencies such as the Philippine Peso. The PHP/USD increased 0.09% DoD, ending at 52.08.

OVERSEAS MARKETS

Global equity markets ended mixed, with weakness in European equities due to trade war concerns offset by a recovery in US equities after their sharp selloff in the previous session. The recovery in the US stock market was accompanied by the unwinding of safe-haven positions, pushing US Treasury yields higher. Meanwhile, the US dollar edged higher amidst weakness in some of its currency peers.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0235	1.7388	5 years	+0.0488	2.5957
6 months	+0.0108	1.9192	10 years	+0.0455	2.7753
2 years	+0.0323	2.2782	30 years	+0.0491	3.0110

- ✓ **US equities** recovered as investors digested the previous session's sharp decline and as tech stocks advanced as concerns over the Trump administration's attack on Amazon waned. The DJIA and S&P 500 closed at 24,033.36 (+1.65% DoD) and 2,614.45 (+1.26% DoD), respectively.
- ✓ **European equities** declined due to trade war concerns and tech weakness. Local indices tracked losses stateside after being close on Monday due to holidays. MSCI Europe Index closed at 124.42 (-0.50% DoD).
- ✓ **Asian equities** were flat even amid the selloff of tech shares in the US and escalating trade tensions between China and US. The MSCI APxJ Index closed at 563.77, same as the previous session.
- ✓ **US Treasury yields** rose as investors unwound safe-haven positions due to the stock rebound yesterday. Yields rose 3.5 bps on average, with 10YR yields up 4.55 bps to 2.7753%.
- ✓ The **US dollar** rose despite the improvement in risk appetite and the stock market rebound, led by gains against the yen and Swiss franc. The DXY ended at 90.200 (+0.16% DoD).

