

April 10, 2018

LOCAL MARKETS

Continued net foreign selling weighed down the local equities market. On the other hand, the local fixed income yields fell, flattening on the back of a decline in long-term yields. The Philippine peso strengthened as strong economic data points to a higher likelihood of a BSP rate hike.

Key Events

- ✓ **San Miguel Corporation (PSE Ticker: SMC)** announced the signing of a Deed of Exchange of Shares, which pertains to SMC's transfer of PHP 217-mn worth of shares of Ginebra San Miguel Inc. and PHP 7.859-bn worth of common shares of San Miguel Brewery Inc. to San Miguel Food and Beverage, Inc.
- ✓ **Bangko Sentral ng Pilipinas (BSP)** released its Gross International Reserves (GIR) data for March, which showed the GIR at USD 80.1 bn, lower than February's USD 80.4 bn. The decrease was mainly attributed to outflows arising from the foreign exchange operations of the BSP and payments made by the National Government (NG) for its maturing foreign exchange obligations.

Equities

- ✓ The **local equities market** fell as net foreign selling continued for the second day in a row after a one day reversal on April 4. The most actively-traded security was JFC, which fell 0.71% DoD with a value turnover of PHP 363.1 mn. The PSEi closed at 7,945.7 (-0.95% DoD).

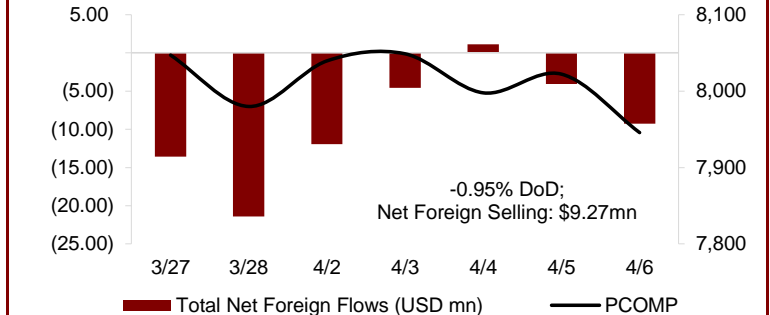
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.4888	3.2743	4 years	-0.1392	5.3929
3 months	+0.0047	3.1270	5 years	-0.0521	5.1608
6 months	+0.3735	3.5875	7 years	-0.2429	6.4571
1 year	+0.0187	3.3186	10 years	-0.7661	5.9500
2 years	+0.0009	4.1513	20 years	-0.6173	6.5220
3 years	-0.0609	4.5379			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	52.115	52.020	EUR/USD	1.2280
				1.2285

PSEi Snapshot



Previous:	8,022.2	PSEi change:	-0.95%
High:	8,047.7	Best:	AC +1.43%
Low:	7,901.8	2nd best:	SCC +1.09%
Close:	7,945.7	2nd worst:	BDO -3.03%
Val. traded (mn):	3,585.4	Worst:	URC -4.67%

Fixed Income

- ✓ **Local fixed income** yields fell, particularly in the long end which fell by 54 bps DoD. The yield curve flattened significantly as the short end rose 22 bps DoD amidst the falling long end. Short-term inflation concerns and expectations of a BSP rate hike could explain the movement of the curve. On average, yields fell 9.02 bps.

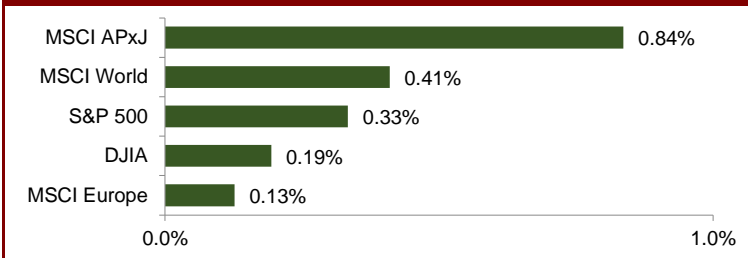
Philippine peso

- ✓ The **Philippine peso** strengthened as investors continued to entertain the possibility of an earlier BSP rate hike on the back of strong economic data. The PHP/USD lost 0.18% DoD, ending at 52.020.

OVERSEAS MARKETS

Global equity markets closed in the black, with the pause in trade protectionism and robust full-year earnings in focus. While US Treasury yields rose with the improvement in risk appetite, the US dollar edged lower.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0001	1.7076	5 years	+0.0118	2.5976
6 months	+0.0102	1.9032	10 years	+0.0055	2.7790
2 years	+0.0122	2.2783	30 years	-0.0064	3.0118

- ✓ **US equities** relinquished most of the intraday gain closing slightly higher after reports of the Federal Bureau of Investigation's raid of the office of Michael Cohen, Trump's personal lawyer. The DJIA and S&P 500 closed at 23,979.10 (+0.19% DoD) and 2,613.16 (+0.33% DoD), respectively.
- ✓ **European equities** slightly inched higher on the back of what appears to be a pause in the ongoing trade skirmish. The advance was limited by stocks with Russian links after the US announced sanctions last Friday. The MSCI Europe Index closed at 126.60 (+0.13% DoD).
- ✓ **Asian equities** advanced as investors looked past trade talks and focused on robust 2017 reports from large Chinese firms. The MSCI APxJ Index closed at 565.37 (+0.84% DoD).
- ✓ **US Treasury yields** rose with the improvement in risk appetite after the US government appeared to be trying to ease concerns of a trade war with China. Yields may also have risen as traders position for concessions in the upcoming auction of USD 64-bn worth of Treasuries this week. Yields rose 0.55 bps on average.
- ✓ The **US dollar** edged lower as traders remained on edge despite the apparent easing of US-China trade tensions. The DXY lost 0.30 DoD, closing at 89.838.

