

April 6, 2018

LOCAL MARKETS

The release of a higher-than-expected inflation reading did little to faze equity investors, but caused a steepening in local fixed income yields and halted the peso's recent slide amid expectations that the BSP may raise rates earlier than expected.

Key Events

- ✓ **Alliance Global Group, Inc. (PSE Ticker: AGI)** will set a higher capital spending budget of Php80 Bn this year compared to Php70Bn spent in 2017. The increase in capital budget will be used to lay down the foundation growth and to "future-proof" its businesses. About 75% of the budget will go Megaworld while 15% will be spent by Travellers.
- ✓ The **Bangko Sentral ng Pilipinas (BSP)** posted the inflation reading for March which rose to 4.3% from 3.8% in February using the 2012-based Consumer Price Index (CPI) series. The increase in inflation was driven by the rate of change in the prices of a number of major CPI subcomponents which exceeded the upper end of the inflation target. These include food items such as corn, fish, fruits, and vegetables. Rice prices also went up due to tight supply.

Equities

- ✓ The **local equities market** slightly gained to close above the 8000 level despite the acceleration of the inflation print to 4.3% (2012-based). Market turnover was paltry at \$98.5Mn as Hong Kong, China, and Taiwan markets were closed. The PSEi closed at 8,022.2 (+0.31% DoD).

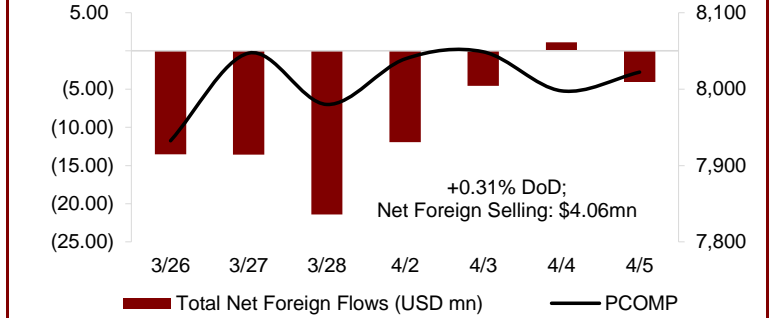
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.4931	2.7855	4 years	+0.4701	5.5321
3 months	+0.0448	3.1223	5 years	-0.0257	5.2129
6 months	+0.0654	3.2140	7 years	+0.0321	6.7000
1 year	-0.0097	3.2999	10 years	+0.0279	6.7161
2 years	-0.0005	4.1504	20 years	-0.0071	7.1393
3 years	-0.0316	4.5988			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	52.120	52.115	EUR/USD	1.2285

PSEi Snapshot



Previous:	7,997.7	PSEi change:	0.31%
High:	8,043.7	Best:	AGI +2.21%
Low:	7,988.4	2nd best:	RRHI +1.94%
Close:	8,022.2	2nd worst:	JFC -1.75%
Val. traded (mn):	2,719.3	Worst:	SCC -2.59%

Fixed Income

- ✓ **Local fixed income yields** were flat on average, but the curve steepened, as buying in the short end (-9.82 bps) was offset by selling in the belly (+10.31 bps) after the release of inflation data suggesting an acceleration in the pace of inflation in March. On average, yields rose 0.66 bps.

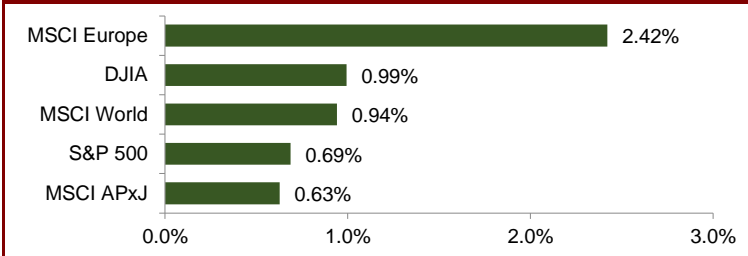
Philippine Peso

- ✓ The **Philippine peso** ended its recent slide as the high inflation print suggested the possibility that the BSP may raise rates earlier than markets anticipated. The PHP/USD lost 0.01% DoD, ending at 52.115.

OVERSEAS MARKETS

Easing trade concerns were in the spotlight, pushing up global equity markets and the US dollar. Consequently, safe-haven US Treasuries fell with the improvement in risk sentiment.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0101	1.7054	5 years	+0.0187	2.6380
6 months	+0.0102	1.9088	10 years	+0.0293	2.8320
2 years	+0.0102	2.3026	30 years	+0.0371	3.0730

- ✓ **US equities** continued to rise ahead of the anticipated jobs report on Friday as White House officials played down trade war concerns after the back-and-forth these past two days. The DJIA and S&P 500 closed at 24,505.22 (+0.99% DoD) and 2,662.84 (+0.69% DoD), respectively.
- ✓ **European equities** rallied behind easing trade war concerns even amid weaker-than-expected economic data. The Markit composite PMI came in at 55.2, slightly missing estimates at 55.3. The MSCI Europe Index closed at 126.89 (+2.42% DoD).
- ✓ **Asian equities** advanced as fears over a full-blown trade war between the US and China gave way to optimism that the two countries will reach a compromise. The MSCI APxJ Index closed at 560.81 (+0.63% DoD).
- ✓ **US Treasury yields** rose, as improving risk appetites saw investors selling bonds and buying equities while concerns about trade protectionism ease. Yields rose 1.93 bps on average, with 10YR yields up 2.93 bps to 2.8320%.
- ✓ The **US dollar** ended the session higher on safe-haven JPY and CHF weakness, which was due to improving risk sentiment with the easing of trade worries. The DXY gained 0.35% DoD to 90.46.

