

April 12, 2018

LOCAL MARKETS

The local equities market was flat as local bargain hunting met with strong foreign selling. Meanwhile, local fixed income yields rose, steepening the yield curve as investors were concerned with higher inflation. For the same reason, the Philippine Peso continued to strengthen, amidst escalating global volatility.

Key Events

- ✓ **Metro Retail Stores Group, Inc. (PSE Ticker: MRSGL)** reported a 23.7% increase in net income (from Php789Mn in 2016 to Php977Mn in 2017). MRSGL attributes the increase in net income to a well-planned and executed profitability enhancement program. MRSGL also disclosed its intention to open more stores this year, in line with its objective of doubling its 2015 gross floor area by 2020.
- ✓ The **Bangko Sentral ng Pilipinas (BSP)** posted the result of the term deposit facility (TDF) auction. The Php 110Bn offer was oversubscribed (Php 133Bn in bids), but the BSP only accepted Php 107Bn. Rates for the 7-day term deposit rose to 3.3018% from 3.2657% while rates for the 14-day term also increased to 3.4053% from 3.3575% a week ago.

Equities

- ✓ The **local equities market** ended flat with a slight upward bias. All sectors were down except for industrial and holdings firms. BDO Unibank Inc. (PSE ticker: BDO) was the most actively traded stock, rising 0.44% DoD. Net foreign selling ticked up to \$12.09 Mn for the day, capping market returns. The PSEI closed at 7,943.9 (+0.12% DoD).

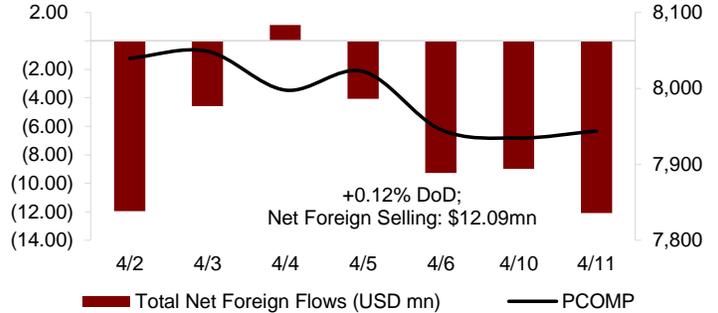
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.1651	3.6433	4 years	-0.3424	5.0397
3 months	+0.0422	3.3142	5 years	+0.0663	5.2082
6 months	+0.0232	3.8089	7 years	+0.5714	6.8143
1 year	+0.0183	3.3393	10 years	+1.0536	7.0036
2 years	+0.0153	4.2086	20 years	+0.0035	6.5070
3 years	+0.0326	4.5689			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.000	51.945	EUR/USD	1.2325	1.2281

PSEi Snapshot



Previous:	7,934.7	PSEi change:	0.12%
High:	7,991.0	Best:	AC +3.04%
Low:	7,930.7	2nd best:	AEV +3.03%
Close:	7,943.9	2nd worst:	AP -3.61%
Val. traded (mn):	3,896.5	Worst:	SCC -5.21%

Fixed Income

- ✓ **Local fixed income yields** rose, led by the long-end which rose 54.28 bps DoD. The steepening of the yield curve reverses the flattening trend over the past two days. On average, yields rose 14.99 bps.

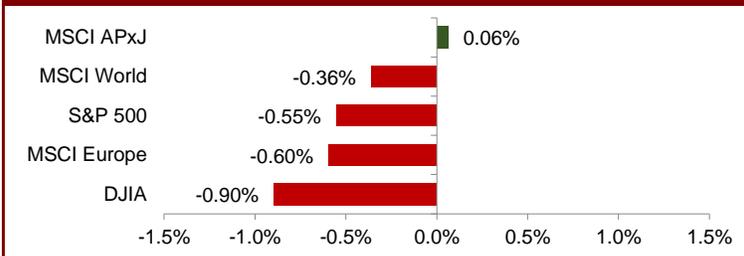
Philippine peso

- ✓ The **Philippine peso** continued to strengthen despite escalating global volatility as expectations of rising local rates provided reason to rotate into Philippine assets. The PHP/USD lost 0.11% DoD, ending at 51.945.

OVERSEAS MARKETS

Geopolitical risk from US threats of retaliation for the Syrian chemical attack weighed on most equity markets, US Treasury yields, and the US dollar.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0001	1.7208	5 years	-0.0118	2.6129
6 months	+0.0025	1.9244	10 years	-0.0201	2.7808
2 years	+0.0001	2.3070	30 years	-0.0263	2.9951

- ✓ **US equities** declined as geopolitical tensions rose after President Trump's warnings against Russia. The more hawkish tone of the Fed's meeting minutes also did not bode well for equities. The DJIA and S&P 500 closed at 24,189.45 (-0.90% DoD) and 2,642.19 (-0.55% DoD), respectively.
- ✓ **European equities** retreated as anxiety over rising geopolitical tension in Syria took center stage after President Trump's warnings of retaliation. The MSCI Europe Index closed at 126.91 (-0.60% DoD).
- ✓ **Asian equities** slightly rose amid growing geopolitical tensions after Governor Yi Gang provided more details on the plan to improve access to Chinese markets. The MSCI APxJ Index closed at 572.77 (+0.06% DoD).
- ✓ **US Treasury yields** fell slightly as increased geopolitical tension, particularly in the Middle East, drove buying of safe-haven assets. Yields may also have been pressured by March US core inflation (CPI) data coming in at 2.1%, the quickest in a year. Yields fell 0.93 bps on average.
- ✓ The **US dollar** extended its losing streak, as geopolitical risk from Trump's Syria threat strengthened the JPY and EUR to fresh two-week highs versus the USD. The DXY lost 0.02% DoD, closing at 89.568.

