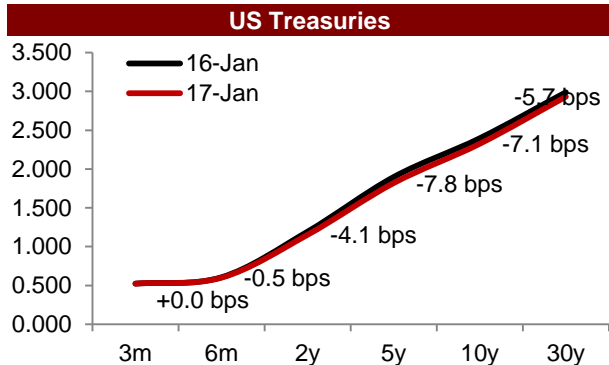
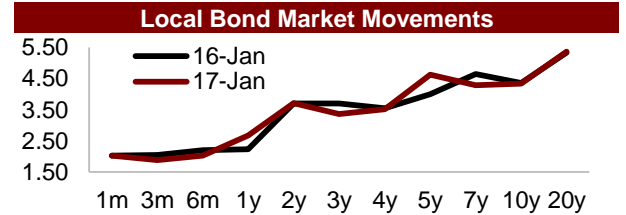
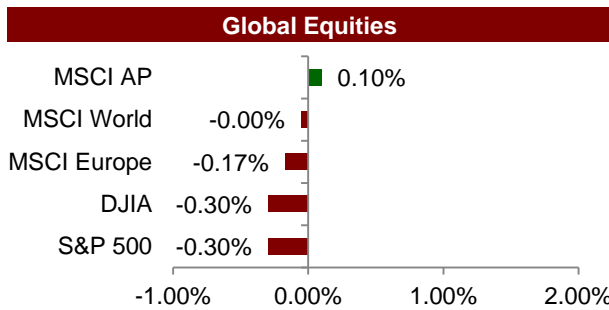
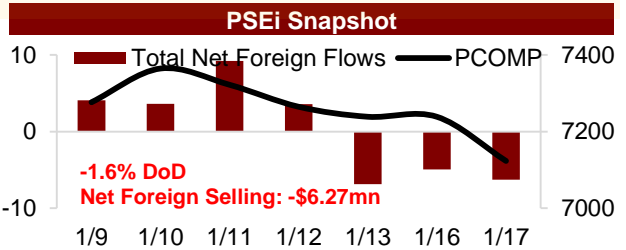


Global risk-off sentiment continued as investors reacted to UK PM Theresa May's statements which shed more light on her plans for a "hard" Brexit, along with US-elect Donald Trump's statement that the US dollar seems excessively strong. Key items to watch out for today: US and Germany December inflation, and US industrial production for December.

- ✓ The **local equities index** fell 1.6%, as risk-off sentiment globally on Brexit worries sparked foreign selling (Php312Mn) during the day. The PSE index closed at 7,123.33.
- ✓ We saw thin trading in the **local fixed income market** as market participants adopted a wait-and-see behavior. Yields rose by an average of 0.28 bps.

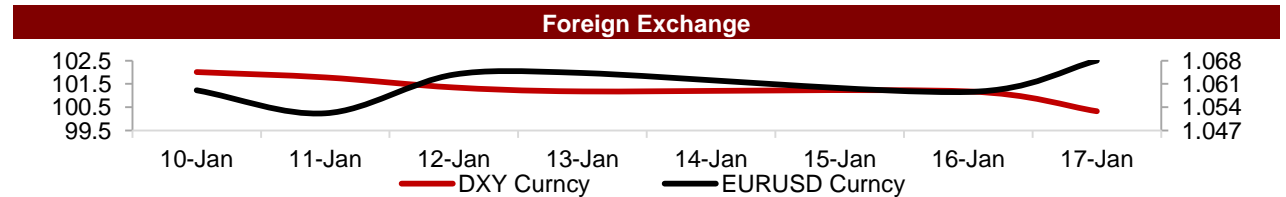


- ✓ Investors in **US equities** adopted a wait-and-see approach ahead of the Trump inauguration and following Trump's aggressive comments highlighting his goal of protecting US firms' interest to support US growth.
- ✓ **European stocks** pared early losses, albeit still ending in the red, amid a strong euro and as investors digested British Prime Minister Theresa May's statements on a 'hard' Brexit. The MSCI Europe Index decelerated 0.17%.
- ✓ The MSCI Asia Pacific Index gained 0.10%, with gains on Chinese equities offset by Japanese names on the back of the USD's strength vis-à-vis peers.
- ✓ The **US Treasury market** rallied due to hard Brexit concerns. The two-year note yield fell 4.1bps to 1.152% while the 10-year bond yield slipped 7.11bps to 2.325%.

Foreign Exchange

| Pair | Previous Close | Close | Indicative Rate |
|---------|----------------|--------|-----------------|
| USD/PHP | 49.860 | 49.830 | 1.0680 |
| EUR/USD | 1.0586 | 1.0680 | 1.0680 |

- ✓ The **Philippine peso** barely moved as investors remained cautious ahead of the inauguration. The USD/PHP pair slightly fell to 49.830, down by 0.06%.
- ✓ The **greenback** strengthened as concerns of a hard Brexit weighed down on the pound and brought investors to safe haven currencies. The DXY index rose 0.38% to 101.57.



Key Indicators

| YIELDS AND PRICES | 17-Jan-17 | DoD | WoW | MoM | YTD |
|---|-----------|--------|--------|--------|--------|
| 91-Day Philippine Treasury Bill Yield (PDST-R2) | 1.8817 | -0.16% | -0.14% | 0.38% | -0.79% |
| 1-Year Philippine Treasury Bill Yield (PDST-R2) | 2.6786 | 0.44% | 0.08% | 0.51% | 0.31% |
| ROP2021 (Price) | 107.462 | 0.03 | 0.08 | 1.28 | (0.90) |
| ROP2034 (Price) | 135.662 | 0.52 | 0.75 | 6.44 | 5.19 |
| 3-Month US Treasury Yield | 0.5228 | 0.00% | 0.02% | 0.03% | 0.36% |
| 30-year US Treasury Yield | 2.9317 | -0.06% | -0.04% | -0.24% | -0.08% |
| 3-Month German Treasury Bill Yield | -0.898 | 0.03% | 0.10% | 0.03% | -0.36% |
| Dubai Crude Oil Spot (\$/bbl) | 53.90 | 1.58% | 1.87% | 6.25% | 67.76% |
| Gold Spot (\$/oz) | 1,217.00 | 1.18% | 2.46% | 7.24% | 14.66% |

Upcoming Economic Releases

Philippines

| Date | Event | Period | Prior |
|------------|-------------|--------|-----------|
| 01/19/2017 | BoP Overall | Dec | -\$1671Mn |

Developed Markets

| Date | Country | Eco | Period | Prior |
|------------|---------|---------------------------|--------|-------|
| 01/18/2017 | US | CPI MoM | Dec | 0.2% |
| 01/18/2017 | US | Industrial Production MoM | Dec | -0.4% |
| 01/18/2017 | Germany | CPI EU Harmonized MoM | Dec F | 1.0% |

Emerging Markets

| Date | Country | Eco | Period | Prior |
|------------|---------|---------------------------|--------|-------|
| 01/20/2017 | China | GDP YoY | 4Q | 6.7% |
| 01/20/2017 | China | Industrial Production YoY | Dec | 6.2% |

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones, The Wall Street Journal, CNBC