

Local

- The local equities index pared early morning losses to kick-off 2017 on a positive note, as the PCOMP expanded 0.3% amid an influx of market-on-close orders.
- The Bureau of Investments (BoI) reported that investment pledges in 2016 grew 20.4% to Php441.8 billion. This was slightly above the BoI target of 20%. The growth was led by foreign commitments, which registered 50% growth and about 20% of overall pledges. In terms of industry, construction and manufacturing posted the strongest growth.
- The sale of Jollibee Foods Corp.'s (PSE ticker: JFC) San Pin Wang business in China has been completed following the sale of JFC's 55% stake in said business. The sale is in light of the company's move to focus on its biggest business in China, Yonghe King, which has 315 stores. Consistent with this, JFC acquired full ownership (from 70%) of Yonghe King's processing plant in December 2016.
- The local fixed income market started the year weak as investors remained concerned about the normalization of PH inflation rates and the headwind from the expected increase in supply from the Bureau of the Treasury's 1Q17 borrowing program. On average, yields rose 25 bps.
- The Philippine peso fell against the greenback despite the foreign inflows in equities market as investors went defensive ahead of the release of the (1) Fed minutes and (2) the U.S. jobs report later this week. The USD/PHP closed at 49.775.

US and Europe

- US equities rose in light of good economic data—manufacturing being strong in December, construction spending in November reaching 10-year highs, and a GDP forecast indicating a 2.9% growth in the last quarter of 2016. The Dow Jones Industrial Average Index rose 119.16 points (+0.60%) to 19,881.76. The S&P 500 gained 19.00 points (+0.85%) and closed at 2,257.83.
- The manufacturing industry of the United States posted the strongest growth in two years, as per the ISM Manufacturing PMI measure. The said print came in at 54.7, above consensus estimates of 53.5.
- Construction spending in the US gained 0.9% in November, higher than consensus estimate of 0.5%, and the highest increase since April 2006. Private construction spending rose 1% (highest since July 2006) while public construction spending was up 0.8%, the highest since March.
- US treasuries ended flat offsetting early losses brought by generally positive economic data from the United States, Europe and China. Investors were quick to take position as the plunge in oil prices boosted demand for safer assets. The drop in oil prices was brought by skepticism towards OPEC oil cuts. The US 10-year bond yield was flat at 2.444% while the US 2-year note yield tacked in 3.6 bps and closed at 1.214%.
- Euro stocks were up in light of good economic data from Germany, and buoyed by buying of banking names as a meeting of central bankers originally scheduled on January 8 was postponed—the result of this meeting could have been tighter capital regulation. The FTSEurofirst 300 Index rose was up 7.63 points (+0.53%) to 1,444.51.
- The US dollar strengthened further against the Euro as investors continue to favor US assets amid strong US economic data. Asset managers also take more US dollars ahead of the release of the FOMC meeting minutes. The EUR/USD pair fell to 1.0397, 0.80% lower than the previous trading day.

Asia Pacific

- Asian equities were up following the Caixin manufacturing Purchasing Managers Index in China printing 51.9, the highest since 2013. The MSCI All Country Asia Pacific ex-Japan was up 0.03% to 375.66.

Key Indicators

EQUITIES BENCHMARK INDICES	3-Jan-17	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,861.31	0.30%	3.05%	-0.37%	-1.31%
MSCI World USD Index	1,757.99	0.28%	-0.15%	2.87%	5.73%
MSCI All Country Asia Pacific ex-Japan Total Returns	375.66	0.03%	1.65%	-0.58%	6.79%
MSCI Europe USD Index	1,465.15	-0.86%	0.72%	4.99%	-3.78%
FTSEurofirst 300 Index	1,444.51	0.53%	1.38%	7.87%	0.49%
Dow Jones Industrial Average Index	19,881.76	0.60%	-0.32%	3.71%	14.10%
Standard & Poor's 500 Index	2,257.83	0.85%	-0.49%	3.01%	10.46%
YIELDS AND PRICES	3-Jan-17	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	2.3320	0.26%	0.33%	0.78%	-0.33%
1-Year Philippine Treasury Bill Yield (PDST-R2)	2.6025	0.15%	0.28%	-0.30%	0.23%
ROP2021 (Price)	106.773	0.46	0.49	0.26	(1.59)
ROP2034 (Price)	131.274	1.38	1.56	1.35	0.81
3-Month US Treasury Yield	0.4872	-0.01%	-0.03%	0.03%	0.32%
2-year US Treasury Yield	1.2141	0.03%	-0.01%	0.12%	0.17%
10-year US Treasury Yield	2.4444	0.00%	-0.12%	0.06%	0.18%
30-year US Treasury Yield	3.0462	-0.02%	-0.09%	-0.02%	0.03%
3-Month German Treasury Bill Yield	-0.995	-0.01%	-0.04%	-0.11%	-0.46%
Dubai Crude Oil Spot (\$/bbl)	55.25	2.33%	6.43%	9.84%	71.96%
1-month Nymex oil futures (\$/bbl)	52.33	-2.59%	-2.91%	1.26%	41.28%
Gold Spot (\$/oz)	1,158.79	0.58%	1.75%	-1.57%	9.17%
USD/PHP (PDEX close)	49.775	0.05	(0.04)	0.13	2.72

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
		Last Trade as of	January 3, 2017		
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	134.90	-	0.17	0.13
Australia	S&P/ASX 200 Index	5,733.18	+	67.38	1.19
China	Shanghai SE Comp Index	3,135.92	+	32.28	1.04
Hong Kong	Hang Seng Index	22,150.40	+	149.84	0.68
India	SENSEX	26,643.24	+	47.79	0.18
Indonesia	Jakarta Composite Index	5,275.97	-	20.74	0.39
Japan	Nikkei 225	19,114.37		0.00	0.00
Malaysia	KLCI	1,635.53	-	6.20	0.38
New Zealand	NZX 50 Index	6,881.22		0.00	0.00
Singapore	Straits Times Index	2,898.97	+	18.21	0.63
South Korea	KOSPI	2,043.97	+	17.81	0.88
Taiwan	TWSE	9,272.88	+	19.38	0.21
Thailand	SET Index	1,542.94		0.00	0.00

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	3-Jan-17	29-Dec-16	Difference		3-Jan-17	29-Dec-16	Difference	
1 month	2.5112	1.8933	+	0.618	4 year	3.8696	3.8814	- 0.012
3 month	2.3320	2.0755	+	0.257	5 year	4.8336	4.7426	+ 0.091
6 month	3.1875	2.9464	+	0.241	7 year	5.0018	4.8857	+ 0.116
1 year	2.6025	2.4520	+	0.151	10 year	5.1393	4.6281	+ 0.511
2 year	3.9804	3.8676	+	0.113	20 year	5.5679	5.3771	+ 0.191
3 year	4.2004	3.5170	+	0.683				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
1/5/2017	Philippines CPI All items YoY% 2006=100	Dec	1/4/2017	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Dec 30
1/5/2017	Philippines CPI All items MoM% 2006=100	Dec	1/5/2017	US Initial Jobless Claims SA	Dec 31
1/5/2017	Philippines Core Inflation YoY 2006=100	Dec	1/6/2017	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Dec
1/6/2017	Philippines Gross Intl Reserves	Dec	1/6/2017	US Durable Goods New Orders Industries MoM SA	Nov F
			1/13/2017	US PPI Finished Goods SA MoM%	Dec
			1/13/2017	US PPI Finished Goods Less Foods & Energy SA MoM%	Dec
			1/13/2017	US PPI Finished Goods NSA YoY%	Dec
			1/13/2017	US PPI Finished Goods Less Foods & Energy NSA YoY%	Dec
			1/13/2017	University of Michigan Consumer Sentiment Index	Jan P
			1/13/2017	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Dec

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