

Local

- The local equities index rallied alongside its regional peers, as investors repositioned their portfolios for 2017. Moreover, market players moved ahead of key economic data releases globally.
- DOE Undersecretary Fuentebella said that the Luzon grid will experience thin supply from end-January to mid-February due to the scheduled 20-day Malampaya shutdown. Given thin supply, March electricity rates are expected to increase by Php 1.20/kwh.
- San Miguel Foods, Inc. (PSE ticker: SMC) got Php2.24 billion of the Php7.684 billion Board of Investments-approved projects in Davao. Of the 10 projects approved in the first 10 months of 2016, SMC led the others with its feed mill located in Sta. Cruz, Davao del Sur in which San Miguel Brewery, Inc. also has a plant.
- The local fixed income market went up as investors repositioned given the decline in TDF rates for BSP's first auction in 2017, along with lack of supply on the long-end of the curve which pushed yields lower. On average, yields fell 21 bps.
- The Philippine peso strengthened against the US Dollar, in line with peer emergin market currencies, and given the Php184 million net inflows from foreigners seen in the equities market.

US and Europe

- US equities again rose ahead of the January 20 inauguration of President-elect Donal Trump in light of a strengthening belief in global reflation and a slew of positive news on consumption—good auto sales, strong e-commerce orders, and smaller-than-expected decline in airline passengers from the last two months' strong demand. The Dow Jones Industrial Average Index rose 60.40 points (+0.30%) to 19,942.16. The S&P 500 gained 12.92 points (+0.57%) and closed at 2,270.75.
- The Federal Reserve turned hawkish based on the recently released meeting minutes. The central bank increased its 2017 GDP projection from 2.0% to 2.1%. It also noted that there are upside risks to the economic growth forecast, citing "more expansionary fiscal policies in coming years." As for the downside risks, the Fed cited strong US dollar and financial vulnerabilities in some foreign economies.
- Mortgage applications in the US dropped 12% week-on-week, according to the Mortgage Bankers Association's data for the last week of 2016. The drag was from applications for refinancing, which fell 22% in the last two weeks and 13% year-on-year—refinancing an existing home loan was hit as interest rates surged to two-year highs following the election of Trump.
- US treasuries traded flat on mixed signals from the recently released Fed meeting minutes. While members were considering faster rate increase in 2017, they also cited risks associated with trade barriers and the recent rally of the US dollar. The US 10-year bond yield and 2-year note yield were unchanged at 2.439% and 1.214%, respectively.
- Euro stocks slightly retreated following days of an uptrend. Equities were pulled down by the sell-off of retail names following indications of disappointing profits from a British retailer. The FTSEurofirst 300 Index shed 0.71 of a point (-0.05%) to 1,443.08.
- The Euro rose, halting two-day decline, after the Fed flagged risks associated with persistent US dollar strength. The EURUSD pair rose 0.34% and closed at 1.0432.

Asia Pacific

- Asian shares were mostly up as positive economic data releases in major economies worldwide lent confidence to the expectations of a global reflation, weakness in the yen boosted exports, and the retreat of the dollar boosted emerging market currencies. Both the MSCI All Country Asia Pacific ex-Japan (+0.60%) and the MSCI AC Asia Pacific Index (+1.53) were up day-on-day.

Key Indicators

EQUITIES BENCHMARK INDICES	4-Jan-17	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,030.95	2.47%	2.69%	2.09%	1.13%
MSCI World USD Index	1,773.96	0.91%	1.34%	3.80%	6.69%
MSCI All Country Asia Pacific ex-Japan Total Returns	377.93	0.60%	1.58%	0.02%	7.43%
MSCI Europe USD Index	1,476.38	0.77%	1.81%	5.80%	-3.04%
FTSEurofirst 300 Index	1,443.80	-0.05%	1.00%	7.81%	0.44%
Dow Jones Industrial Average Index	19,942.16	0.30%	0.55%	4.03%	14.45%
Standard & Poor's 500 Index	2,270.75	0.57%	0.93%	3.59%	11.10%
YIELDS AND PRICES	4-Jan-17	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	2.0536	-0.28%	-0.04%	0.50%	-0.61%
1-Year Philippine Treasury Bill Yield (PDST-R2)	2.4100	-0.19%	-0.38%	-0.49%	0.04%
ROP2021 (Price)	106.926	0.15	0.57	0.42	(1.43)
ROP2034 (Price)	131.982	0.71	2.22	2.06	1.51
3-Month US Treasury Yield	0.5279	0.04%	0.02%	0.07%	0.37%
2-year US Treasury Yield	1.2140	-0.00%	-0.04%	0.12%	0.17%
10-year US Treasury Yield	2.4390	-0.01%	-0.07%	0.06%	0.17%
30-year US Treasury Yield	3.0397	-0.01%	-0.05%	-0.02%	0.02%
3-Month German Treasury Bill Yield	-0.984	0.01%	-0.01%	-0.10%	-0.45%
Dubai Crude Oil Spot (\$/bbl)	53.58	-3.02%	0.79%	6.52%	66.76%
1-month Nymex oil futures (\$/bbl)	53.26	1.78%	-1.48%	3.06%	43.79%
Gold Spot (\$/oz)	1,163.61	0.42%	1.92%	-1.16%	9.63%
USD/PHP (PDEX close)	49.650	(0.13)	(0.16)	0.00	2.59

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
		Last Trade as of	January 4, 2017		
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	136.96	+	2.06	+ 1.53
Australia	S&P/ASX 200 Index	5,736.41	+	3.23	+ 0.06
China	Shanghai SE Comp Index	3,158.79	+	22.87	+ 0.73
Hong Kong	Hang Seng Index	22,134.47	-	15.93	- 0.07
India	SENSEX	26,633.13	-	10.11	- 0.04
Indonesia	Jakarta Composite Index	5,301.18	+	25.21	+ 0.48
Japan	Nikkei 225	19,594.16	+	479.79	+ 2.51
Malaysia	KLCI	1,647.47	+	11.94	+ 0.73
New Zealand	NZX 50 Index	6,974.30	+	93.08	+ 1.35
Singapore	Straits Times Index	2,921.31	+	22.34	+ 0.77
South Korea	KOSPI	2,045.64	+	1.67	+ 0.08
Taiwan	TWSE	9,286.96	+	14.08	+ 0.15
Thailand	SET Index	1,563.58	+	20.64	+ 1.34

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	4-Jan-17	3-Jan-17	Difference		4-Jan-17	3-Jan-17	Difference
1 month	2.0232	2.5112	- 0.488	4 year	3.7805	3.8696	- 0.089
3 month	2.0536	2.3320	- 0.278	5 year	4.7893	4.8336	- 0.044
6 month	3.1714	3.1875	- 0.016	7 year	4.3864	5.0018	- 0.615
1 year	2.4100	2.6025	- 0.193	10 year	5.0768	5.1393	- 0.063
2 year	4.0143	3.9804	+ 0.034	20 year	5.5429	5.5679	- 0.025
3 year	3.5000	4.2004	- 0.700				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
1/5/2017	Philippines CPI All items YoY% 2006=100	Dec	1/5/2017	US Initial Jobless Claims SA	Dec 31
1/5/2017	Philippines CPI All items MoM% 2006=100	Dec	1/6/2017	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Dec
1/5/2017	Philippines Core Inflation YoY 2006=100	Dec	1/6/2017	US Durable Goods New Orders Industries MoM SA	Nov F
1/6/2017	Philippines Gross Intl Reserves	Dec	1/11/2017	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Dec 30
1/10/2017	Philippines External Balance of Trade	Nov	1/13/2017	US PPI Finished Goods SA MoM%	Dec
1/10/2017	Philippines External Trade Imports YoY	Nov	1/13/2017	US PPI Finished Goods Less Foods & Energy SA MoM%	Dec
1/10/2017	Philippines External Trade Exports	Nov	1/13/2017	US PPI Finished Goods NSA YoY%	Dec
1/10/2017	Philippines External Trade Imports	Nov	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