

Local

- The local equities index continued to track a positive trajectory, alongside its regional peers, following the release of the December Fed FOMC minutes and ahead of key economic data releases globally.
- December 2016 inflation print was at 2.6%, faster than previous month's 2.5%. The uptick in inflation was caused by seasonally high demand for goods, higher oil prices and weakness of the local currency. This put the 2016 average inflation to 1.8%, below the BSP target of 2 to 4%.
- A joint venture of index heavyweight Ayala Land, Inc. (PSE ticker: ALI) and Anflo Management and Investment Corporation will expand its 10-hectare Davao complex by adding a residential project. Accendo Commercial Corp., the joint venture, will launch Patio Suites, a two-tower, 20-storey condominium and will have its groundbreaking early 2017. Avida Land, Inc., another subsidiary of ALI, also plans to build a residential tower nearby. At present, the complex has a hotel, a mall, two condominiums, and offices mostly occupied by BPOs.
- The local fixed income market strengthened further as investors continued to reposition. The prevailing risk-on sentiment was unaffected by the in-line December inflation (2.6%), which brought 2016 average inflation to 1.8%. On average, yields went down by 21 bps.
- The Philippine peso continued to rally against the US Dollar given the Php728 million net foreign inflows observed in the domestic equities market. The USD/PHP closed 0.38% higher at Php49.460 to a dollar.

US and Europe

- US equities pulled back, brought down by the weakness in the retail names as some reported disappointing holiday sales and announced lower earnings per share guidance. The Dow Jones Industrial Average Index lost 42.87 points (-0.21%) to 19,899.29. The S&P 500 shed 1.75 points (-0.08%) and closed at 2,269.
- Fed San Francisco President Williams said that three rate hikes in 2017 is "reasonable" due to declining unemployment and rising inflation. He also said that a fiscal stimulus from the United States is now more probable than a few months ago.
- The Institute for Supply Management's non-manufacturing index beat market expectations at 57.2 (versus 56.8) for December. Meanwhile, the production index was down 0.3 of a point to 61.4 as new orders came in at 61.6 from 57.0. The employment index was down from 58.2 to 53.8.
- US treasuries rallied the most post-Brexit after investors wind down from the "Trump trade" and position ahead of the expected volatilities in the next few weeks. The US 10-yr bond yield fell to 2.355%, down by 9.5 bps, while the 2-yr note yield fell to 1.162%, down by 5.2 bps.
- Euro stocks were up as the buying in telcos and healthcare compensated for the sell-off in financials. The FTSEurofirst 300 Index gained 1.77 points (+0.12%) to 1,445.57.
- The US dollar weakened after investors take profit after the greenback reached historic highs. The EURUSD pair rose to 1.0489, up by 0.55%.

Asia Pacific

- Asian shares continued the strength of the previous day following the release of the December FOMC meeting highlighting downsides to a strong dollar. This was positive as emerging market currencies endured a beating late 2016 as the dollar surged. Both the MSCI All Country Asia Pacific ex-Japan was up 0.50% to 379.81.

Key Indicators

EQUITIES BENCHMARK INDICES	5-Jan-17	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,209.44	2.54%	5.39%	6.39%	3.70%
MSCI World USD Index	1,782.46	0.48%	1.68%	3.75%	7.20%
MSCI All Country Asia Pacific ex-Japan Total Returns	379.81	0.50%	1.61%	0.75%	7.97%
MSCI Europe USD Index	1,495.10	1.27%	2.53%	5.89%	-1.81%
FTSEurofirst 300 Index	1,445.57	0.12%	1.45%	7.32%	0.56%
Dow Jones Industrial Average Index	19,899.29	-0.21%	0.40%	3.55%	14.20%
Standard & Poor's 500 Index	2,269.00	-0.08%	0.88%	2.92%	11.01%
YIELDS AND PRICES	5-Jan-17	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	2.0500	-0.00%	-0.03%	0.23%	-0.62%
1-Year Philippine Treasury Bill Yield (PDST-R2)	2.4094	-0.00%	-0.04%	-0.55%	0.04%
ROP2021 (Price)	107.342	0.42	0.95	0.82	(1.02)
ROP2034 (Price)	134.536	2.55	4.71	4.66	4.07
3-Month US Treasury Yield	0.5127	-0.02%	0.07%	0.05%	0.35%
2-year US Treasury Yield	1.1621	-0.05%	-0.05%	0.04%	0.11%
10-year US Treasury Yield	2.3443	-0.09%	-0.13%	-0.05%	0.07%
30-year US Treasury Yield	2.9444	-0.10%	-0.13%	-0.12%	-0.07%
3-Month German Treasury Bill Yield	-0.953	0.03%	0.00%	-0.04%	-0.41%
Dubai Crude Oil Spot (\$/bbl)	54.01	0.80%	1.29%	4.75%	68.10%
1-month Nymex oil futures (\$/bbl)	53.76	0.94%	-0.02%	3.80%	45.14%
Gold Spot (\$/oz)	1,180.30	1.43%	1.91%	0.85%	11.20%
USD/PHP (PDEX close)	49.460	(0.19)	(0.26)	(0.23)	2.40

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
		Last Trade as of	January 5, 2017		
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	136.96	0.00	0.00	
Australia	S&P/ASX 200 Index	5,753.35	+	16.94	+ 0.30
China	Shanghai SE Comp Index	3,165.41	+	6.62	+ 0.21
Hong Kong	Hang Seng Index	22,456.69	+	322.22	+ 1.46
India	SENSEX	26,878.57	+	245.44	+ 0.92
Indonesia	Jakarta Composite Index	5,322.09	+	20.91	+ 0.39
Japan	Nikkei 225	19,520.69	-	73.47	- 0.37
Malaysia	KLCI	1,658.97	+	11.50	+ 0.70
New Zealand	NZX 50 Index	6,975.60	+	1.30	+ 0.02
Singapore	Straits Times Index	2,961.85	+	40.54	+ 1.39
South Korea	KOSPI	2,041.95	-	3.69	- 0.18
Taiwan	TWSE	9,358.14	+	71.18	+ 0.77
Thailand	SET Index	1,566.77	+	3.19	+ 0.20

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	5-Jan-17	4-Jan-17	Difference		5-Jan-17	4-Jan-17	Difference	
1 month	2.0339	2.0232	+	0.011	4 year	3.6362	3.7805	- 0.144
3 month	2.0500	2.0536	-	0.004	5 year	4.8232	4.7893	+ 0.034
6 month	2.3793	3.1714	-	0.792	7 year	4.8982	4.3864	+ 0.512
1 year	2.4094	2.4100	-	0.001	10 year	4.2637	5.0768	- 0.813
2 year	2.9263	4.0143	-	1.088	20 year	5.4964	5.5429	- 0.047
3 year	3.3562	3.5000	-	0.144				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
1/6/2017	Philippines Gross Intl Reserves	Dec	1/6/2017	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Dec
1/9/2017	Philippines External Balance of Trade	Nov	1/6/2017	US Durable Goods New Orders Industries MoM SA	Nov F
1/9/2017	Philippines External Trade Imports YoY	Nov	1/11/2017	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Jan 6
1/9/2017	Philippines External Trade Exports	Nov	1/12/2017	US Initial Jobless Claims SA	Dec 31
1/9/2017	Philippines External Trade Imports	Nov	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