

Local

January 13, 2015

- The local equities market fell on Monday as the declines in Wall Street provided investors a convenient excuse to book profits from the recent historic highs. For the day, the PSEi lost 44.36 points, or -0.60%, to close at 7,358.36. Almost all sectoral indices ended in the red led by property (-1.48%), holding firms (-0.67%) and industrials (-0.39%), with only mining and oil (+1.99%) ending higher. In particular, Ayala Land, Inc. (-2.86%) slipped after it raised Php16 billion from a placement of 485 million common shares at Php33 each. Total value turnover soared to Php23.69 billion. Market breadth was negative with 111 declines outpacing 69 advances while 44 stocks remained unchanged. Foreign investors were net buyers at Php20.89 billion.
- In a disclosure made to the PSEi, Gokongwei-led Robinsons Land Corp. (RLC) reported a 5.8% rise in net income for fiscal year 2014 (ending September) to Php4.73 billion from the Php4.48 billion recorded in the same period in 2013. Gross revenues likewise saw a 7% year-on-year growth to Php17.05 billion. The company's commercial operations accounted for the largest real estate revenue contribution at Php8.10 billion, while its residential business contributed php5.87 billion. Moreover, RLC's office buildings division was sturdy as revenues were up 7% to Php1.54 billion.
- For the period of January to October 2014, foreign direct investments (FDI) net inflows rose to US\$444 million, more than twice the US\$219 million that came in during the same month in 2013, and almost thrice the US\$73 million booked in 2012. Bulk of the investments came from investors from the US, Germany, Singapore, the UK and Japan. Industries which benefited from these investments included real estate, manufacturing, financial and insurance, wholesale and retail trade, and services.
- In the local fixed income space, yields climbed 6.82 basis points, on average, across the length of the curve as investors prepared for this short trading week (Papal visit) and positioned for the upcoming 20-year bond auction to be held upon the resumption of trading next Tuesday, January 20th. Yields in the short and long-ends climbed 18.7 and 4.9 basis points, respectively, while the belly fell -1.6 basis points.
- The Peso strengthened slightly vis-a-vis the US dollar with the USD/PHP pair falling -0.17% to close yesterday's trading at 44.875. Though last Friday's job figures surprised to the upside at 252,000 more non-farm jobs last December, driving down the unemployment rate to 5.6% which beat expectations of 5.7%, negative sentiment on falling wages (mean hourly earnings were lower by 5 cents) weighed on the greenback causing it to lose ground and Asian currencies to rally.

US and Europe

- US equities fell after Goldman Sachs cut its oil price forecast. Energy shares suffered the most, declining by 2.8% as US oil sank to a more than 5 1/2-year low of US\$46.07 a barrel. The S&P 500 slid 16.55 points, or 0.81%, to 2,028.26 while the Dow Jones Industrial Average lost 96.53 points, or 0.54%, to 17,640.84.
- Oil prices slumped to lower levels after Goldman Sachs (GS) and Société Générale sharply lowered their forecasts for 2015. WTI and Brent both dropped to more than 5%, touching \$45.85 and \$47.16 a barrel, respectively. GS sees that Brent prices will average at \$50.4 a barrel in 2015, down from its earlier estimate of \$83.75 a barrel.
- US corporate earnings for the fourth quarter of 2014 are expected to grow by 1.1% year-on-year, the weakest quarter since third quarter of 2012. Excluding the energy sector earnings, however, net income of US companies are projected to rise 3.6%, still below the 5.2% average growth rate for earnings of all S&P 500 companies over the past eight quarters.
- US Treasury bond prices rose due to the continued descent in oil prices, boosted further by strong demand for a US\$24 billion sale of three-year US government notes. Based on the indirect bidding for the three-year notes, demand from foreign investors reached 45.8%, the highest level since August 2011. The 2-year note yield dropped 1.6 basis points to 0.545% while the 10-year bond yield declined by 3.8 basis points to 1.907%.
- European stocks slightly recovered as industries expected to benefit from lower oil prices outperformed the energy sector. Investors also remained on the sidelines ahead of next week's European Central Bank policy meeting. The FTSEurofirst 300 Index gained 8.51 points, or 0.63%, to 1,357.09.
- The EUR/USD pair traded sideways yesterday with a downward bias, falling -0.40% to close trading at 1.1795. Monday's range-bound trading occurred on the back of a lack of market moving news, events and/or economic data releases for this week, as well as little news on ECB's proposed stimulus action.

Asia Pacific

January 13, 2015

- Asian markets closed trading yesterday with mixed results as the Chinese Shanghai Composite Index and Australian ASX200 fell 56.10 points (-1.71%, Day-on-Day) and 42.90 (-0.78%, Day-on-Day), respectively, on economic uncertainty, IPO saturation and profit taking prompted by resources sector weakness as commodity prices continue to slip. In India, sectoral strength enabled the Indian Sensex to climb 126.89 points (+0.46%, Day-on-Day). The Japanese Nikkei was closed yesterday for a public holiday.

Key Indicators

January 13, 2015

EQUITIES BENCHMARK INDICES	12-Jan-15	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,358.36	-0.60%	1.12%	1.86%	1.77%
MSCI World USD Index	1,676.71	-0.42%	0.33%	0.10%	-3.18%
MSCI All Country Asia Pacific ex-Japan Total Returns	390.07	-0.13%	0.88%	2.12%	0.31%
MSCI Europe USD Index	1,557.18	0.43%	0.77%	-2.52%	-4.35%
FTSEurofirst 300 Index	1,357.09	0.63%	1.85%	2.68%	-1.44%
Dow Jones Industrial Average Index	17,640.84	-0.54%	0.80%	2.08%	-2.20%
Standard & Poor's 500 Index	2,028.26	-0.81%	0.38%	1.29%	-2.98%
YIELDS AND PRICES	12-Jan-15	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	2.2741	-0.16%	-0.25%	0.01%	-0.27%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.5568	-0.05%	-0.19%	0.08%	-0.14%
ROP2021 (Price)	108.786	(0.05)	0.13	0.36	0.54
ROP2034 (Price)	135.690	0.16	0.51	1.48	1.82
3-Month US Treasury Yield	0.0152	0.00%	0.01%	0.00%	0.02%
2-year US Treasury Yield	0.5449	-0.02%	-0.11%	0.00%	-0.16%
10-year US Treasury Yield	1.9070	-0.04%	-0.13%	-0.17%	-0.30%
30-year US Treasury Yield	2.4965	-0.03%	-0.10%	-0.24%	-0.28%
3-Month German Treasury Bill Yield	-0.194	0.06%	0.06%	-0.07%	-0.01%
Dubai Crude Oil Spot (\$/bbl)	46.05	-2.87%	-11.80%	-23.12%	-18.22%
1-month Nymex oil futures (\$/bbl)	46.07	-4.74%	-7.93%	-20.31%	-14.06%
Gold Spot (\$/oz)	1,233.26	0.88%	2.36%	0.88%	4.22%
USD/PHP (PDEX close)	44.875	(0.08)	(0.13)	0.30	0.16

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of January 12, 2015					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	137.81	-	0.01	- 0.01
Australia	S&P/ASX 200 Index	5,422.70	-	42.87	- 0.78
China	Shanghai SE Comp Index	3,229.32	-	56.10	- 1.71
Hong Kong	Hang Seng Index	24,026.46	+	106.51	+ 0.45
India	SENSEX	27,585.27	+	126.89	+ 0.46
Indonesia	Jakarta Composite Index	5,187.93	-	28.73	- 0.55
Japan	Nikkei 225	17,197.73		0.00	0.00
Malaysia	KLCI	1,735.08	+	2.64	+ 0.15
New Zealand	NZX 50 Index	5,609.80	+	24.96	+ 0.45
Singapore	Straits Times Index	3,344.89	+	6.45	+ 0.19
South Korea	KOSPI	1,920.95	-	3.75	- 0.19
Taiwan	TWSE	9,178.30	-	37.28	- 0.40
Thailand	SET Index	1,531.21	+	1.79	+ 0.12

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	12-Jan-15	09-Jan-15	Difference		12-Jan-15	09-Jan-15	Difference	
1 month	2.1250	1.8022	+	0.323	4 year	3.3000	3.1941	+ 0.106
3 month	2.0750	1.7484	+	0.327	5 year	3.1449	3.1645	- 0.020
6 month	2.3000	2.2000	+	0.100	7 year	3.7250	3.7000	+ 0.025
1 year	2.3500	2.3500		0.000	10 year	3.6169	3.6834	- 0.066
2 year	2.4750	2.5649	-	0.090	20 year	4.9500	4.9500	0.000
3 year	3.0000	3.1000	-	0.100	25 year	4.6439	4.4297	+ 0.214

Upcoming Economic Releases

January 13, 2015

Date	Philippines	Period Covered	Date	US	Period Covered
1/14/2015	Philippines Overseas Filipino Workers Remittances YoY	Nov	1/14/2015	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jan 9
1/14/2015	Philippines Overseas Filipino Workers Remittances	Nov	1/14/2015	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Dec
1/20/2015	Philippines BOP	Dec	1/15/2015	US Initial Jobless Claims SA	Jan 10
			1/15/2015	US Empire State Manufacturing Survey General Business Conditions SA	Jan
			1/16/2015	US CPI Urban Consumers MoM SA	Dec
			1/16/2015	US Industrial Production MoM 2007=100 SA	Dec
			1/16/2015	University of Michigan Consumer Sentiment Index	Jan P
			1/21/2015	US New Privately Owned Housing Units Started by Structure Total SAAR	Dec
			1/23/2015	US Existing Homes Sales SAAR	Dec
			1/23/2015	Conference Board US Leading Index MoM	Dec

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones