

Local

January 14, 2015

- The local equities market gained ground on Tuesday, bucking the regional trend as market players positively received credit rating agency Fitch's forecast for the 2015 gross domestic product growth, emphasizing that the Philippines' growth story would be faster than regional peers. The PSEi gained 40.64 points, or +0.55%, to end the day at 7,399.00. Almost all sectoral indices ended in the green led by mining and oil (+1.97%), financials (+1.08%), and services (+0.54%), with only property (-0.07%) ending in the red. Market breadth was positive with 102 advances outpacing 78 declines while 44 stocks remained unchanged. Total value turnover amounted to Php8.93 billion. Foreign investors were net buyers at Php0.96 billion.
- As of September 2014, the real estate exposure of banks rose by 23% to Php1.160 trillion, from Php939.775 billion in 2013. This occurred as real estate loans likewise went up by 24% to Php977.085 billion. Data released by the Bangko Sentral ng Pilipinas showed that banks increased lending to land developers, construction companies and other corporate entities by 24% to Php592.966 billion as of September, from Php479.688 billion one year ago. Credit extended to residential properties was also higher by 25% year-on-year to Php384.119 billion.
- According to BSP deputy governor Nestor A. Espenilla, Jr., the central bank is "currently processing on application" from a foreign bank to operate in the country. He added that they were hoping to approve the first one within the first quarter, but did not reveal any information on the bank's identity.
- On the local fixed income space, bond prices climbed slightly as domestic securities tracked the previous night's outperformance of US Treasuries. Sentiment in support of later and possibly more muted Fed rate hikes this year owing to the continuing decline of crude oil prices, caused liquid benchmark indices to be bought up from the belly to the long-ends of the curve. Yields fell, on average, by -2.77 basis points across the length of the curve, with the short and long ends losing -5.4 and -6.3 basis points, respectively. Yields in the belly, however, climbed by 1.4 basis points.
- The Peso strengthened slightly vis-a-vis the US Dollar with the USD/PHP pair falling -0.23% to close trading at 44.770, the lowest since January 2nd. Sustained, strong remittance inflows from abroad to the tune of US\$2 billion was estimated for 1Q'15, and was the main reason for today's appreciation.

US and Europe

- US equities ended lower for the third consecutive day, mirroring fluctuations in oil prices and reflecting the possible earnings disappointment of the corporates. The S&P500 index lost 5.23 points, or 0.26%, to 2,023.03 while the Dow Jones Industrial Average index gave up 27.16 points, or 0.15%, to 17,613.68, after trading in a 425-point range.
- The National Federation of Independent Business (NFIB)'s small-business optimism index for December rose 2.3 points to 100.4, beating the market estimate of 98.5 and reaching its highest level in more than eight years. Small businesses have also been hiring more workers with the seasonally adjusted average increase in workers per firm increasing to 0.2 workers, a "historically large" number, according to the NFIB.
- Job openings in the US rose to their highest level since January 2001. The recorded number of openings for the month of November reached 4.972 million, better than analysts' expectations of only 4.85 million. This is equivalent to a 27% increase on a year-on-year basis and now stands 15% above the pre-recession level. The figure also means that for every opening, about 1.8 unemployed workers were hired.
- US Treasury bond prices once again traded on the opposite direction of the equities market. The Treasuries rallied early during the session amid continued volatility in oil prices, but was dragged down due to the soft demand for the US\$21 billion sale of 10-year government notes. Nevertheless, bond prices ended in the green as risk aversion persisted. The 2-year note yield dropped 0.61 basis points to 0.539% while the 10-year bond yield declined by 0.7 basis points to 1.900%.
- European stocks recorded huge gains as retail and airline stocks rallied on expectations of positive effects of falling oil prices. The FTSEurofirst300 index gained 18.67 points, or 1.38%, to 1,375.76.
- The EUR/USD pair continued to slide yesterday, losing 0.54% to close trading at 1.1777 as investors continued to monitor the political situation in Greece and await more concrete steps by the ECB in the direction of quantitative easing.

Asia Pacific

- Most Asian markets closed lower yesterday with the Japanese Nikkei, Indian Sensex and Australian ASX200 falling 110.02 points (-0.64%, day on day), 159.54 points (-0.58%, day on day) and 18 points (-0.33%, day on day), respectively. Declining oil prices, which fell to the vicinity of \$45 a barrel yesterday, led to energy sector losses causing the broad underperformance. The Hong Kong Hang Seng, however, gained 189.51 points (+0.79% day on day) as investors bought up HK-listed Chinese companies following the trade surprise to the upside in China.

Key Indicators

EQUITIES BENCHMARK INDICES						
	13-Jan-15	DoD change	WoW change	MoM change	Ytd change	
Philippine Stock Exchange Index	7,399.00	0.55%	1.67%	2.42%	2.33%	
MSCI World USD Index	1,678.19	0.09%	1.44%	0.19%	-3.09%	
MSCI All Country Asia Pacific ex-Japan Total Returns	390.91	0.22%	2.57%	2.34%	0.53%	
MSCI Europe USD Index	1,574.38	1.10%	2.73%	-1.45%	-3.29%	
FTSEurofirst 300 Index	1,375.76	1.38%	3.95%	4.09%	-0.09%	
Dow Jones Industrial Average Index	17,613.68	-0.15%	1.39%	1.93%	-2.35%	
Standard & Poor's 500 Index	2,023.03	-0.26%	1.02%	1.03%	-3.23%	
YIELDS AND PRICES						
	13-Jan-15	DoD change	WoW change	MoM change	Ytd change	
91-Day Philippine Treasury Bill Yield (PDST-F)	2.2364	-0.04%	-0.31%	-0.02%	-0.30%	
1-Year Philippine Treasury Bill Yield (PDST-F)	2.5614	0.00%	-0.17%	0.09%	-0.13%	
ROP2021 (Price)	108.887	0.10	(0.14)	0.46	0.64	
ROP2034 (Price)	136.388	0.70	0.86	2.18	2.51	
3-Month US Treasury Yield	0.0253	0.01%	0.00%	0.01%	0.03%	
2-year US Treasury Yield	0.5388	-0.01%	-0.09%	-0.00%	-0.17%	
10-year US Treasury Yield	1.9000	-0.01%	-0.04%	-0.18%	-0.30%	
30-year US Treasury Yield	2.4992	0.00%	-0.00%	-0.24%	-0.27%	
3-Month German Treasury Bill Yield	-0.200	-0.01%	0.05%	-0.07%	-0.01%	
Dubai Crude Oil Spot (\$/bbl)	42.86	-6.93%	-10.24%	-28.45%	-23.89%	
1-month Nymex oil futures (\$/bbl)	45.89	-0.39%	-4.26%	-20.62%	-14.40%	
Gold Spot (\$/oz)	1,230.75	-0.20%	1.01%	0.67%	4.01%	
USD/PHP (PDEX close)	44.770	(0.10)	(0.16)	0.19	0.05	

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets				
Last Trade as of		January 13, 2015		
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pacific Index	137.83	+ 0.02	+ 0.01
Australia	S&P/ASX 200 Index	5,404.69	- 18.01	- 0.33
China	Shanghai SE Comp Index	3,235.30	+ 5.99	+ 0.19
Hong Kong	Hang Seng Index	24,215.97	+ 189.51	+ 0.79
India	SENSEX	27,425.73	- 159.54	- 0.58
Indonesia	Jakarta Composite Index	5,214.36	+ 26.43	+ 0.51
Japan	Nikkei 225	17,087.71	- 110.02	- 0.64
Malaysia	KLCI	1,748.90	+ 13.82	+ 0.80
New Zealand	NZX 50 Index	5,636.61	+ 26.80	+ 0.48
Singapore	Straits Times Index	3,341.07	- 3.82	- 0.11
South Korea	KOSPI	1,917.14	- 3.81	- 0.20
Taiwan	TWSE	9,231.80	+ 53.50	+ 0.58
Thailand	SET Index	1,534.97	+ 3.76	+ 0.25

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	13-Jan-15	12-Jan-15	Difference		13-Jan-15	12-Jan-15	Difference
1 month	1.9087	2.1250	- 0.216	4 year	3.3000	3.3000	0.000
3 month	2.0750	2.0750	0.000	5 year	3.1169	3.1449	- 0.028
6 month	2.3000	2.3000	0.000	7 year	3.7250	3.7250	0.000
1 year	2.3500	2.3500	0.000	10 year	3.6046	3.6169	- 0.012
2 year	2.4500	2.4750	- 0.025	20 year	5.0000	4.9500	+ 0.050
3 year	3.1250	3.0000	+ 0.125	25 year	4.4177	4.6439	- 0.226

Upcoming Economic Releases

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