

## Local

January 22, 2015

- The local equities market rallied, posting a new intraday high of 7,5931.94, after the International Monetary Fund (IMF) upgraded its growth forecast for the Philippines from 6.3% to 6.6%. Profit-takers, however, pulled the index down tempering its gains to 21.29 points or 0.29%, to close at 7,474.10. Sectors that are expected to benefit from the strong economy such as financials (+0.36%), holding firms (+0.29%), services (+0.20%) and property (+0.50) ended in green while the rest such as industrial (-0.49%) and mining and oil (-0.59%) ended in red. Market breadth was negative with 98 declines outnumbering 76 declines, while 54 issues remained unchanged. Total value turnover reached Php16.051 billion. Foreign investors were net buyers at Php2.15 billion.
- The Bangko Sentral ng Pilipinas (BSP) recorded a net loss of Php7.19 billion in the first 11 months of 2014, an improvement from the Php23.48 billion loss recorded in the same period in 2013. The BSP's revenues fell by 13% to Php46.31 billion while its miscellaneous income dropped by 31% to Php16.04 billion. Interest income, on the other hand, increased to Php30.27 billion as a result of the weaker peso. There was also a significant decline in interest expense by 22% due to the BSP's decision to withdraw investment management accounts (IMAs) in the Special Deposit Account facility in 2013. It can be recalled that last time that the BSP recorded a net income was in 2009 by the amount of Php13.13 billion.
- The Aboitiz Group's investment holding company, Aboitiz Equity Ventures Inc. (AEV), raised capital through the issuance of 5.086 million treasury shares at Php54.40 per share. The Company raised a total of Php276 million from the said reissuance of shares, the proceeds of which are to be used to build up the Company's cash reserves, working capital and for other general corporate purposes. The Company currently has 28.2 million treasury shares left authorized for sale.
- In the local fixed income space, bond prices climbed on excessive price action with yields falling 5.70 basis points on average across the length of the curve. The short, belly and long ends fell 4.30, 4.80 and 9.10 basis points, respectively.
- The Peso recovered some ground relative to the US Dollar yesterday, strengthening 0.44% to close today's trading at 44.400. Expectations of more robust public spending, lower inflation and election-related spending support the recent upgrade for FY'15E GDP.

## US and Europe

- US equities rallied for a third day amid a surge in energy shares and hopes that the European Central Bank would unleash more stimulus measures to boost growth in the Euro-zone. The S&P500 index rose 0.47% to 2,032.12 and the Dow Jones Industrial Average index added 0.22% to 17,554.28.
- Last December, home-builders in the US began constructing single-family homes by the most in seven years, driving an unexpectedly large gain in housing starts. Construction began on 728,000 houses at an annualized rate, up 7.2% month-on-month from November, and the most since March 2008. This was based on a report from the US Commerce Department. Total housing starts including apartments rose 4.4% to a 1.09 million pace. Median consensus forecast was for total housing starts to rise to a 1.04 million pace.
- US Treasury prices declined after the Bank of Canada unexpectedly cut its overnight policy rate and the ECB edged closer to increasing monetary stimulus, raising appetite for risk assets. The 10-year benchmark yield rose 8 basis points to close at 1.8717%
- European shares continued to soar as the European Central Bank was seen to pursue further stimulus measures during its policy meeting ending Thursday. The FTSEurofirst300 index rallied 0.58% to 1,431.06.
- Unemployment in the UK declined more than expected in the three months ending November, and wage growth rose at its swiftest pace in over two years as the economy continued to add jobs. Not including bonuses, wages rose 1.8% year-on-year, higher than the 1.6% registered for the quarter ended October. Meanwhile, the unemployment rate fell to a six-year low of 5.8% from 6%. Consensus had called for a drop to 5.9%.
- The Euro continued to slip relative to the US Dollar in yesterday's trading, losing -0.29% to close at the 1.1572 mark on the back of heightened anticipation on the eve of the ECB's meeting the outcome of which will shed more light on the Eurozone's efforts launch a massive, Fed-style "Quantitative Easing" stimulus program.

## Asia Pacific

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- Most Asian markets closed higher with the exception of the Japanese Nikkei, which yesterday lost 85.82 points (-0.49%, Day on Day) on a stronger Yen and a lower inflation forecast by the Bank of Japan. The Chinese Shanghai Composite, Hong Kong Hang Seng and Australian ASX200, however, gained 150.56 points (+4.74%, Day on Day), 401.56 points (+4.74%, Day on Day) and 150.56 points (+4.74%, Day on Day), respectively. Reasons for the broad rally include sectoral strength, particularly in financials in China and property in Hong Kong, as the government plans to relax the purchasing schemes for houses and expectations the much anticipated EU stimulus program will eventually result in greater demand for Australian natural resources, by way of a revival of global growth.

## Key Indicators

<b>EQUITIES BENCHMARK INDICES</b>	<b>21-Jan-15</b>	<b>DoD change</b>	<b>WoW change</b>	<b>MoM change</b>	<b>Ytd change</b>
Philippine Stock Exchange Index	7,474.10	0.29%	-0.22%	4.89%	3.37%
MSCI World USD Index	1,694.34	0.54%	1.74%	-1.32%	-2.16%
MSCI All Country Asia Pacific ex-Japan Total Returns	394.77	1.38%	1.47%	3.53%	1.52%
MSCI Europe USD Index	1,610.22	0.77%	3.80%	-0.56%	-1.09%
FTSEurofirst 300 Index	1,431.06	0.58%	5.66%	5.14%	3.93%
Dow Jones Industrial Average Index	17,554.28	0.22%	0.73%	-1.41%	-2.68%
Standard & Poor's 500 Index	2,032.12	0.47%	1.04%	-1.86%	-2.80%
<b>YIELDS AND PRICES</b>	<b>21-Jan-15</b>	<b>DoD change</b>	<b>WoW change</b>	<b>MoM change</b>	<b>Ytd change</b>
91-Day Philippine Treasury Bill Yield (PDST-F)	2.2355	0.01%	-0.00%	-0.17%	-0.31%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.5455	-0.01%	-0.00%	-0.07%	-0.15%
ROP2021 (Price)	109.354	0.07	0.42	1.10	1.10
ROP2034 (Price)	140.372	1.17	3.52	6.68	6.50
3-Month US Treasury Yield	0.0203	0.02%	-0.01%	-0.01%	0.02%
2-year US Treasury Yield	0.5074	0.02%	0.01%	-0.13%	-0.20%
10-year US Treasury Yield	1.8717	0.08%	0.02%	-0.29%	-0.33%
30-year US Treasury Yield	2.4614	0.08%	-0.01%	-0.29%	-0.31%
3-Month German Treasury Bill Yield	-0.226	0.01%	-0.02%	-0.06%	-0.04%
Dubai Crude Oil Spot (\$/bbl)	44.53	0.77%	3.17%	-21.06%	-20.92%
1-month Nymex oil futures (\$/bbl)	47.78	3.00%	-1.44%	-15.46%	-10.87%
Gold Spot (\$/oz)	1,293.10	-0.18%	5.24%	8.09%	9.28%
USD/PHP (PDEX close)	44.400	(0.21)	(0.27)	(0.33)	(0.32)

Source: Bloomberg

## Asian Equity Markets

<b>Asia Pacific Markets</b>				
		Last Trade as of	January 21, 2015	
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pacific Index	139.64	+ 1.14	+ 0.82
Australia	S&P/ASX 200 Index	5,393.38	+ 85.71	+ 1.61
China	Shanghai SE Comp Index	3,323.61	+ 150.56	+ 4.74
Hong Kong	Hang Seng Index	24,352.58	+ 401.42	+ 1.68
India	SENSEX	28,888.86	+ 104.19	+ 0.36
Indonesia	Jakarta Composite Index	5,215.27	+ 49.18	+ 0.95
Japan	Nikkei 225	17,280.48	- 85.82	- 0.49
Malaysia	KLCI	1,770.09	+ 19.98	+ 1.14
New Zealand	NZX 50 Index	5,672.85	+ 39.64	+ 0.70
Singapore	Straits Times Index	3,354.46	+ 20.44	+ 0.61
South Korea	KOSPI	1,921.23	+ 2.92	+ 0.15
Taiwan	TWSE	9,319.71	+ 68.02	+ 0.74
Thailand	SET Index	1,537.36	+ 2.27	+ 0.15

## Local Bond Market

<b>Peso Interest Rates (PDEX PDST-R2)</b>							
	21-Jan-15	20-Jan-15	Difference		21-Jan-15	20-Jan-15	Difference
1 month	1.6250	1.7202	- 0.095	4 year	3.0745	3.2750	- 0.201
3 month	2.0650	2.0650	0.000	5 year	3.0319	3.0317	+ 0.000
6 month	2.2500	2.3000	- 0.050	7 year	3.3683	3.4010	- 0.033
1 year	2.3250	2.3500	- 0.025	10 year	3.3698	3.4656	- 0.096
2 year	2.4710	2.3793	+ 0.092	20 year	4.8500	4.7500	+ 0.100
3 year	3.0000	3.1000	- 0.100	25 year	4.0515	4.3276	- 0.276

## Upcoming Economic Releases

January 22, 2015

Date	Philippines	Period Covered	Date	US	Period Covered
1/27/2015	Philippines External Balance of Trade	Nov	1/22/2015	US Initial Jobless Claims SA	Jan 17
1/27/2015	Philippines External Trade Imports YoY	Nov	1/23/2015	US Existing Homes Sales SAAR	Dec
1/27/2015	Philippines External Trade Imports	Nov	1/23/2015	Conference Board US Leading Index MoM	Dec
1/29/2015	Philippines GDP Constant 2000 Prices YoY	4Q	1/27/2015	US Durable Goods New Orders Industries MoM SA	Dec
1/29/2015	Philippines National Accounts GDP Constant 2000 Prices QoQ SA	4Q	1/27/2015	Conference Board Consumer Confidence SA 1985=100	Jan
1/29/2015	Philippines Annual GDP Constant 2000 Prices Growth Rate	2014	1/28/2015	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jan 16
1/30/2015	Philippines Commercial Banks Loans Outstanding Total Gross YoY	Dec	1/29/2015	Federal Funds Target Rate - Upper Bound	Jan 28
1/30/2015	Philippines Commercial Banks Loan Outstanding Total Net YoY	Dec	1/30/2015	GDP US Chained 2009 Dollars QoQ SAAR	4Q A
			1/30/2015	MNI Chicago Business Barometer (sa)	Jan
			1/30/2015	University of Michigan Consumer Sentiment Index	Jan F

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