

Local

January 27, 2015

- The local equities rallied, closing at a new high, as domestic buyers supported the market on speculation of a better-than-expected GDP growth figure. The PSEi gained 37.74 points or 0.50% to close at 7,586.67. Most indices ended in green led by the financials (1.15%) and services (0.83%) sectors. Market breadth was slightly negative with 94 declines outnumbering 92 advances, while 43 issues remain unchanged. Total value turnover reached Php10.24 billion. Foreign investors were net sellers at Php296 million.
- The Philippine licensee of 7-Eleven, Philippine Seven Corporation (PSC) is allotting P3 billion for capital expenditure this year, at least 50% more than last year's budget. This is in response to the intensifying competition in the retailing sector. As of end-2014, the Company had a total of 1,282 stores, 27% up from 2013's 1,009. For 2015, PSC intends to grow its store network by 25% to double its presence in the next three years.
- The Department of Budget and Management tightens guidelines on the release and utilization of the 2015 national budget by requiring the release of funds directly to the National Government agencies. Then, priority projects must be executed within one year or else, the head of the agency will be held personally liable. Lump-sum appropriations, on the other hand, will only be released upon receipt by DBM of the complete details with corresponding cost up to the lowest level.
- In the local fixed income space, yields climbed 29.82 basis points, on average, across the length of the curve with the short, belly and long ends gaining 33.5, 32 and 21.20 basis points, respectively. Greece's leftist, anti-austerity party took power last Sunday, casting doubt on the nation's eligibility to receive bailout funds from international creditors under the stringent terms currently in force. As the possibility of a Greek default and exit from the Euro looms ever larger, a risk-off sentiment on Emerging Markets took hold, leading to yesterday's underperformance.
- The Peso continued to strengthen vis-a-vis the US Dollar, gaining 0.15% to close yesterday's trading at the 44.115 level. Yesterday's outperformance was part of a broader Emerging Market currencies rally driven by expectations that a substantial part of the ECB-induced liquidity will find their way to our market in the search for greater yield.

US and Europe

- US equities ended mostly unchanged as gains in power companies countered a drop in tech stocks. Investors were also considering the implications of Greek elections. The Dow Jones Industrial Average index edged up 6.10 points to 17,678.70 and the S&P500 index added 5.27 points to 2,057.09.
- US Treasury prices moved lower as investors surmised that the fallout from last weekend's Greek national elections would be "contained". The 10-year bond yield is higher by 3.0 basis points to 1.8241%.
- European shares managed to continue its ECB QE-fuelled rally despite the success of the anti-austerity party in the Greek election. The FTSEurofirst300 index climbed 8.52 points to 1,488.03.
- For the month of January, the Ifo Institute's business climate index, which measures German business sentiment, rose to 106.7, beating the market estimate of 106.5 and December's 105.5. This is the third straight monthly increase and marked a good start to the year.
- S&P Ratings Services slashed its credit rating on Russia to junk, assigning the country with a grade lower than investment-grade for the first time in over 10 years. The firm cited the country's financial instability as it lowered Russia's rating to BB+ from the BBB- with a negative outlook. S&P stated that it could ratings further.
- The Euro traded sideways with a slight upward bias relative to the US Dollar yesterday with the EUR/USD climbing 0.22% to close Monday's trading at the 1.1229 level. This represented a typical shallow correction from temporarily oversold levels while still part of an overall bearish trend on the Euro.

Asia Pacific

- Asian markets closed with mixed results yesterday as the Chinese Shanghai Composite and Hong Kong Hang Seng Index climbing 31.42 points (+0.94%, day on day) and 59.45 points (+0.24%, day on day), respectively, on sectoral strength particularly in property, technology and consumer names. The Japanese Nikkei fell, meanwhile, 43.23 points (-0.25%, day on day) on both US Dollar and Euro weakness. The Indian Sensex was closed for a public holiday.

Key Indicators

EQUITIES BENCHMARK INDICES						
	26-Jan-15	DoD change	WoW change	MoM change	Ytd change	
Philippine Stock Exchange Index	7,586.67	0.50%	1.35%	5.57%	4.92%	
MSCI World USD Index	1,707.74	0.00%	1.54%	-1.25%	-1.38%	
MSCI All Country Asia Pacific ex-Japan Total Returns	399.19	-0.03%	2.84%	3.86%	2.66%	
MSCI Europe USD Index	1,627.57	0.61%	2.15%	0.13%	-0.03%	
FTSEurofirst 300 Index	1,488.03	0.58%	5.54%	8.23%	8.07%	
Dow Jones Industrial Average Index	17,678.70	0.03%	0.95%	-2.08%	-1.99%	
Standard & Poor's 500 Index	2,057.09	0.26%	1.87%	-1.52%	-1.60%	
YIELDS AND PRICES						
	26-Jan-15	DoD change	WoW change	MoM change	Ytd change	
91-Day Philippine Treasury Bill Yield (PDST-F)	2.1341	-0.00%	-0.10%	-0.40%	-0.41%	
1-Year Philippine Treasury Bill Yield (PDST-F)	2.5386	-0.03%	-0.01%	-0.23%	-0.16%	
ROP2021 (Price)	109.518	0.22	0.40	1.31	1.27	
ROP2034 (Price)	140.898	0.05	3.24	7.10	7.02	
3-Month US Treasury Yield	0.0051	-0.01%	-0.01%	0.01%	0.01%	
2-year US Treasury Yield	0.5107	0.02%	0.03%	-0.23%	-0.20%	
10-year US Treasury Yield	1.8241	0.03%	-0.01%	-0.43%	-0.38%	
30-year US Treasury Yield	2.3972	0.02%	-0.06%	-0.42%	-0.38%	
3-Month German Treasury Bill Yield	-0.201	0.01%	0.04%	-0.03%	-0.02%	
Dubai Crude Oil Spot (\$/bbl)	43.89	-2.23%	-1.42%	-22.97%	-22.06%	
1-month Nymex oil futures (\$/bbl)	45.15	-0.97%	-7.27%	-17.50%	-15.78%	
Gold Spot (\$/oz)	1,281.38	-0.98%	0.45%	7.14%	8.29%	
USD/PHP (PDEX close)	44.115	(0.06)	(0.56)	(0.56)	(0.60)	

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets						
Last Trade as of January 26, 2015						
Country	Index	Value	DoD Change	% Change		
Asia Pacific	MSCI AC Asia Pacific Index	140.70	-	0.40	-	0.28
Australia	S&P/ASX 200 Index	5,501.82		0.00		0.00
China	Shanghai SE Comp Index	3,383.18	+	31.42	+	0.94
Hong Kong	Hang Seng Index	24,909.90	+	59.45	+	0.24
India	SENSEX	29,278.84		0.00		0.00
Indonesia	Jakarta Composite Index	5,260.02	-	63.86	-	1.20
Japan	Nikkei 225	17,468.52	-	43.23	-	0.25
Malaysia	KLCI	1,796.44	-	6.64	-	0.37
New Zealand	NZX 50 Index	5,698.66	+	23.42	+	0.41
Singapore	Straits Times Index	3,398.52	-	12.98	-	0.38
South Korea	KOSPI	1,935.68	-	0.41	-	0.02
Taiwan	TWSE	9,477.67	+	6.73	+	0.07
Thailand	SET Index	1,588.31	-	10.02	-	0.63

Local Bond Market

Peso Interest Rates (PDEX PDST-F)									
	26-Jan-15	23-Jan-15	Difference		26-Jan-15	23-Jan-15	Difference		
1 month	2.3458	1.3505	+	0.995	4 year	3.0200	3.0263	-	0.006
3 month	2.1569	1.9500	+	0.207	5 year	3.0577	3.0964	-	0.039
6 month	2.5111	2.3000	+	0.211	7 year	3.9486	3.3750	+	0.574
1 year	2.2533	2.3250	-	0.072	10 year	3.3074	3.3589	-	0.052
2 year	3.0632	2.4093	+	0.654	20 year	4.9361	4.5000	+	0.436
3 year	3.4684	3.0500	+	0.418	25 year	4.2727	4.0219	+	0.251

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
1/27/2015	Philippines External Balance of Trade	Nov	1/27/2015	US Durable Goods New Orders Industries MoM SA	Dec
1/27/2015	Philippines External Trade Imports YoY	Nov	1/27/2015	Conference Board Consumer Confidence SA 1985=100	Jan
1/29/2015	Philippines GDP Constant 2000 Prices YoY	4Q	1/28/2015	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jan 23
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	1/29/2015	US Initial Jobless Claims SA	Jan 24
2/5/2015	Philippines CPI All items YoY% 2006=100	Jan	1/30/2015	GDP US Chained 2009 Dollars QoQ SAAR	4Q A
2/5/2015	Philippines CPI All items MoM% 2006=100	Jan	1/30/2015	University of Michigan Consumer Sentiment Index	Jan F
2/6/2015	Philippines Gross Intl Reserves	Jan	2/2/2015	ISM Manufacturing PMI SA	Jan
			2/6/2015	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Jan
			2/6/2015	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Jan

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