

## Local

- The local equities market suffered its worst decline in a single day for the last four months, losing -2.5% as of close of trading. Disappointing US manufacturing data caused a decline in US equities last night and further fueled prevailing volatility in the market roiled by increasing, irrevocable cuts to Fed stimulus and widespread EM concerns. Yesterday, the PSEi lost 129.29 points to close at 5,886.01. All sectoral indices took a hit with property (-3.44%), mining and oil (-2.42%), and holding firms (-2.33%) posting the largest losses among peers. Market breadth was negative with 133 declines outnumbering 29 advances, while 30 issues were unchanged. Total value turnover amounted to Php6.75 billion. Foreign investors were net sellers at Php1.11 billion.
- The Cebu Manila Water Development, Inc. (CMWD), a joint venture of Manila Water Consortium, Inc. and the Cebu government, has secured an Php800 million loan from the Development Bank of the Philippines (DBP) and the Japan International Cooperation Agency for the Cebu Bulk Water Supply Project. The loan will support the remaining construction facilities incorporated in the overall design of the Cebu Bulk Water Supply Project. The company pointed out that the project is formed in order to meet growing demand. It added that it is the first large-scale surface water project in the province and is expected to augment delivery of water services in the Metropolitan Cebu Water District by the middle of the year.
- According to the Department of Budget and Management, infrastructure spending climbed by 20.5% to Php223.3 billion in the January to November 2013 from Php185.4 billion, representing roughly 75% of the Php297.1 billion programmed for the full year. Expenditures of capital outlays (CO) went up by 16.6% on a yearly basis to Php289.9 billion in the 11 months to November 2013. However, spending declined by 14.1% to Php21.2 billion for November alone, mainly on the back of a slowdown in the Public Works department's utilization rate.
- Prices of local government securities rose yesterday on thin volumes as bargain-hunting ensued, particularly on the shorter tenors. Yields declined by an average of 17.80 basis points led by the short- and long-ends of the curve, which fell 50.7 and 4.9 basis points, respectively.
- The Philippine peso rebounded yesterday as investors took the chance to book profits in the wake of the greenback's recent strength. The currency pair recovered 10 centavos to end the day at USD/PHP45.310.

## US and Europe

- US equities managed to gain ground on a technical rebound, boosted by mostly strong corporate earnings reports. However, market players continued to be wary of Friday's upcoming payrolls data. The Dow Jones Industrial Average index took back 72.44 points to 15,445.24 and the S&P500 index rose 13.31 points to 1,755.20.
- Last December, new orders for manufactured goods fell by 1.5%, slightly better than the market estimate of a 1.8% drop but lower than November's downwardly revised 1.5% gain. Among the largest declines were orders for transportation equipment, which slumped 9.7% after rising 8.1% last November. Not including the volatile transportation category, orders edged up 0.2% following November's 0.3% climb.
- According to the Institute for Supply Management (ISM)-New York's Current Business Conditions Index, business activity in the New York City area improved in January. The ISM's index rose to 64.4 last month, from December's 63.8. In particular, the employment index climbed to the highest in three years to 60.7 from 55.1 and the prices-paid index rose to 63.0 from 60.0.
- US Treasury prices succumbed to profit-taking after having run-up substantially over the past few days. For the day, the 10-year benchmark yield was up 4.5 basis points to 2.63%.
- European shares slid lower as investors digested a batch of mixed corporate earnings results. The FTSEurofirst300 index gave back 2.21 points to 1,270.74.
- The euro weakened slightly against the greenback on Tuesday after an economic release from the region showed slowing inflation. Last December, Euro-zone factory gate prices rose 0.2% on a monthly basis but fell 0.8% year-on-year. Investors also continued to watch for Euro-zone PMI data due for release on Wednesday. The shared currency gave back 0.06 cents to EUR/USD1.3519.

## Asia Pacific

- Asian markets succumbed to another selling spree on Tuesday following worries about the US' economic growth. The Institute for Supply Management's (ISM) factory index for January, which was released late Monday, fell to 51.3, much lower than the market estimate of 56 and the prior month's 56.5. Japan's Nikkei 225 (-4.18%), Hong Kong's Hang Seng Index (-2.89%), and Australia's S&P/ASX 200 Index (-1.75%) posted the largest losses among peers. The MSCI All Country Asia Pacific Index tanked 3.74 points, or -2.79%, to 130.17.

## Key Indicators

<b>EQUITIES BENCHMARK INDICES</b>	<b>04-Feb-14</b>	<b>DoD change</b>	<b>WoW change</b>	<b>MoM change</b>	<b>Ytd change</b>
Philippine Stock Exchange Index	5,886.01	-2.15%	-2.27%	-1.04%	-0.06%
MSCI World USD Index	1,569.93	-0.13%	-2.57%	-4.62%	-5.09%
MSCI All Country Asia Pacific ex-Japan Total Returns	352.29	-1.43%	-1.28%	-5.09%	-6.04%
MSCI Europe USD Index	1,666.68	-0.29%	-3.22%	-3.85%	-5.09%
FTSEurofirst 300 Index	1,270.74	-0.17%	-2.11%	-3.16%	-3.31%
Dow Jones Industrial Average Index	15,445.24	0.47%	-3.03%	-6.22%	-6.27%
Standard & Poor's 500 Index	1,755.20	0.76%	-2.08%	-4.16%	-4.68%
<b>YIELDS AND PRICES</b>	<b>04-Feb-14</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)	1.8175	0.21%	0.42%	1.24%	1.33%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.3146	-0.01%	0.00%	1.34%	1.38%
ROP2021 (Price)	103.304	(0.07)	(0.20)	(0.08)	(0.32)
ROP2034 (Price)	119.353	0.26	0.02	1.88	(0.20)
3-Month US Treasury Yield	0.0507	0.03%	0.01%	-0.02%	-0.01%
2-year US Treasury Yield	0.3118	0.02%	-0.03%	-0.08%	-0.08%
10-year US Treasury Yield	2.6294	0.05%	-0.12%	-0.37%	-0.37%
30-year US Treasury Yield	3.6010	0.07%	-0.07%	-0.32%	-0.34%
3-Month German Treasury Bill Yield	0.042	0.00%	-0.04%	-0.01%	-0.02%
Brent Crude Oil Spot (\$/bbl)	109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)	101.91	0.10%	-1.97%	-2.93%	-6.24%
1-month Nymex oil futures (\$/bbl)	97.19	0.79%	-0.23%	3.44%	-3.12%
Gold Spot (\$/oz)	1,254.72	-0.24%	-0.17%	1.43%	3.41%
USD/PHP (PDEX close)	45.310	(0.10)	0.08	0.66	0.91

Source: Bloomberg

## Asian Equity Markets

<b>Asia Pacific Markets</b>					
Last Trade as of		February 04, 2013			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pac Index	130.17	- 3.74	- 2.79	
Australia	S&P/ASX 200 Index	5,097.07	- 90.85	- 1.75	
China	Shanghai SE Comp Index	2,033.08	0.00	0.00	
Hong Kong	Hang Seng Index	21,397.77	- 637.65	- 2.89	
India	SENSEX	20,211.93	+ 2.67	+ 0.01	
Indonesia	Jakarta Composite Index	4,352.26	- 34.00	- 0.78	
Japan	Nikkei 225	14,008.47	- 610.66	- 4.18	
Malaysia	KLCI	1,778.83	- 25.20	- 1.40	
New Zealand	NZX 50 Index	4,802.62	- 46.88	- 0.97	
Singapore	Straits Times Index	2,965.80	- 25.15	- 0.84	
South Korea	KOSPI	1,886.85	- 33.11	- 1.72	
Taiwan	TWSE	8,462.57	0.00	0.00	
Thailand	SET Index	1,276.84	- 15.97	- 1.24	

## Local Bond Market

<b>Peso Interest Rates (PDEX PDST-R2)</b>									
	04-Feb-14	03-Feb-14	Difference			04-Feb-14	03-Feb-14	Difference	
1 month	1.6250	1.6500	-	0.025	4 year	3.5150	3.3770	+	0.138
3 month	1.1242	1.6000	-	0.476	5 year	3.6000	3.6000		0.000
6 month	1.4250	2.0000	-	0.575	7 year	3.9500	4.1085	-	0.159
1 year	1.1719	2.1250	-	0.953	10 year	4.0000	4.1086	-	0.109
2 year	2.5610	2.5000	+	0.061	20 year	5.1750	5.1250	+	0.050
3 year	2.8250	2.8250		0.000	25 year	5.5015	5.5901	-	0.089

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
2/4/2014	Philippines CPI All items YoY% 2006=100	Jan	2/5/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jan 31
2/4/2014	Philippines CPI All items MoM% 2006=100	Jan	2/5/2014	ADP National Employment Report SA Private Nonfarm Level Change	Jan
2/4/2014	Philippines Core Inflation YoY 2006=100	Jan	2/6/2014	US Initial Jobless Claims SA	Feb 1
2/6/2014	Philippines Overnight Reverse Repurchase Agreement RRP Rate	Feb 6	2/6/2014	US Trade Balance Balance Of Payments SA	Dec
2/7/2014	Philippines Gross Intl Reserves	Jan	2/7/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Jan
2/10/2014	Philippines External Trade Exports YoY	Dec	2/7/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Jan
2/10/2014	Philippines External Trade Exports	Dec	2/11/2014	Merchant Wholesalers Inventories Total Monthly % Change	Dec
			2/13/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Jan
			2/14/2014	US Industrial Production MoM 2007=100 SA	Jan
			2/14/2014	University of Michigan Survey of Consumer Confidence Sentiment	Feb P

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