

Local

- The local equities market closed yesterday sideways with a very slight downward bias on profit taking, prompted by the previous day's abrupt end to the recent 6 day rally, coupled with valuations of Philippine equities at overbought levels of 17x earnings. Select buying on promising local companies this reporting season, however, offset the late sell-off. The PSEi moved in a narrow range and ended barely changed, decreasing by only 0.77 points, or -0.01%, to close at 6,295.55. Sectoral indices ended on an even split with industrials (+0.80%), financials (+0.43%), and mining and oil (+0.10%) managing to eke out gains while property (-0.88%), holding firms (-0.14%), and services (-0.09%) dropped slightly from the previous day's levels. Market breadth was negative with 92 declines outnumbering 64 advances, while 51 issues were unchanged. Total value turnover amounted to Php8.52 billion. Foreign investors were net buyers at Php1.33 billion.
- Security Bank (SECB) is planning to grow its retail banking operations, which would account for about a third of its total business within the next five years. Through this move, the bank seeks to diversify its income stream and unlock higher margins. This expansion into retail would target the "emerging mass affluent" market, or those with a household income of about Php50,000 a month, or Php600,000 a year.
- Metropolitan Bank & Trust Co. (MBT) saw its profits grow by 46% to Php22.5 billion in 2013 from the previous year's Php15.4 billion worth of earnings. The growth was driven by the 38% increase on the bank's total operating income reflecting a 24% growth in net interest income amounting to Php38.3 billion on the back of strong volumes and high margins. Moreover, non-interest income escalated by 55% to Php40.7 billion due to strong trading gains and steady service charges, fees and commissions. The bank's deposits grew by 38%, breaching the Php1-trillion level to end the year at Php1.02 trillion.
- Prices of local government securities rose as market players expected a large amount of liquidity coming into the peso bond market. Yields declined by 1.86 basis points with the long-end of the curve dropping 10.0 basis points.
- The Philippine peso depreciated slightly against the US dollar as market players remained on the sidelines amid the lack of market moving news. The local currency lost 5 centavos to close at 44.630.

US and Europe

- US equities ended the day slightly lower as investors booked profits following the recent run-up in stocks following the release of weak economic data. The Dow Jones Industrial Average index dipped 27.48 points to 16,179.66 and the S&P500 index shed 2.49 points to 1,845.12.
- Last December, US single-family home prices inched up higher than expected. The S&P/Case-Shiller composite index of 20 metropolitan areas rose by 0.76% on a monthly basis, compared to the market estimate of a 0.6% increase. Meanwhile, the 20-city composite index jumped 13.2% year-on-year, slightly lower than the market estimate of +13.4%. According to the chairman of the Index Committee at S&P Dow Jones Indices, though the home price index ended its best year since 2005, gains are slowing on a month-to-month basis and the strongest part of the recovery in home values may be over.
- For the month of February, the Conference Board's index of consumer confidence dropped to 78.1, compared to the market estimate of 80.0, following January's downwardly revised 79.4. Among its components, the present situation index jumped to a near six-year high of 81.7 from 77.3 in January. Conversely, the consumer expectations for economic activity over the next six months fell to 75.7 from 80.8. Lynn Franco, director of economic indicators at the board, stated that this split suggests that consumers believe the economy has improved, but do not see it gaining considerable momentum in the months ahead.
- US Treasury prices rallied as investors adopted a risk-off sentiment following a weak consumer sentiment reading and weakness in China's currency, which sparked concerns on the health of the world's second largest economy. The 10-year benchmark yield fell 4 basis points to 2.7023%.
- European shares lost ground as investors cashed in on gains after the European Union economists forecasted slower growth for most of the region come 2015. These economists likewise warned that the lingering debt woes and the looming possibility of deflation could weigh on economic recovery. The FTSEurofirst300 index inched down 0.21 of a point to 1,351.44.
- The euro traded slightly lower against the US dollar after EU economists predicted slower growth for the region. Market players were also awaiting economic data releases from the US on consumer confidence and home prices. The shared currency added 0.15 cents to close at EUR/USD1.3745.

Asia Pacific

- Most Asian markets posted positive returns Tuesday on optimism that emerging market stocks would continue to recover from the down trend seen earlier this year. The Nikkei 225 (+1.44%) closed above the 15,000 level for the first time this month, which was largely attributed to gains in the financial sector. Conversely, China declined for a second day following worries about the property sector. Top performers included South Korea's KOSPI (+0.81%), Malaysia's KLCI (+0.28%), and India's SENSEX (+0.20%). The MSCI All Country Asia Pacific Index advanced 0.95 points, or 0.69%, to 138.07.

Key Indicators

EQUITIES BENCHMARK INDICES	25-Feb-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,295.55	-0.01%	1.64%	1.68%	6.89%
MSCI World USD Index	1,669.41	0.07%	0.53%	3.15%	0.92%
MSCI All Country Asia Pacific ex-Japan Total Returns	371.38	0.17%	0.05%	2.44%	-0.95%
MSCI Europe USD Index	1,803.51	0.07%	0.95%	4.33%	2.70%
FTSEurofirst 300 Index	1,351.44	-0.02%	1.06%	3.85%	2.83%
Dow Jones Industrial Average Index	16,179.66	-0.17%	0.31%	1.89%	-1.81%
Standard & Poor's 500 Index	1,845.12	-0.13%	0.24%	3.06%	0.20%
YIELDS AND PRICES	25-Feb-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.2192	0.02%	0.04%	0.30%	0.73%
1-Year Philippine Treasury Bill Yield (PDST-F)	1.9729	0.01%	0.04%	-0.08%	1.04%
ROP2021 (Price)	104.716	0.18	0.71	1.01	1.09
ROP2034 (Price)	123.078	0.60	1.90	3.42	3.52
3-Month US Treasury Yield	0.0406	0.01%	0.03%	-0.01%	-0.02%
2-year US Treasury Yield	0.3140	-0.00%	0.02%	-0.02%	-0.07%
10-year US Treasury Yield	2.7023	-0.04%	-0.00%	-0.01%	-0.30%
30-year US Treasury Yield	3.6586	-0.04%	-0.02%	0.03%	-0.28%
3-Month German Treasury Bill Yield	0.056	0.01%	0.00%	-0.03%	-0.01%
Brent Crude Oil Spot (\$/bbl)	109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)	106.75	0.35%	0.71%	2.77%	-1.78%
1-month Nymex oil futures (\$/bbl)	101.83	-0.96%	-0.59%	5.37%	1.51%
Gold Spot (\$/oz)	1,340.64	0.27%	1.41%	5.56%	10.49%
USD/PHP (PDEX close)	44.630	0.05	0.03	(0.68)	0.23

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets				
Last Trade as of		February 25, 2013		
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pac Index	138.07	+ 0.95	+ 0.69
Australia	S&P/ASX 200 Index	5,433.84	- 6.38	- 0.12
China	Shanghai SE Comp Index	2,034.22	- 42.47	- 2.04
Hong Kong	Hang Seng Index	22,317.20	- 71.36	- 0.32
India	SENSEX	20,852.47	+ 41.03	+ 0.20
Indonesia	Jakarta Composite Index	4,577.29	- 46.28	- 1.00
Japan	Nikkei 225	15,051.60	+ 213.92	+ 1.44
Malaysia	KLCI	1,833.75	+ 5.07	+ 0.28
New Zealand	NZX 50 Index	4,967.51	- 2.13	- 0.04
Singapore	Straits Times Index	3,103.62	- 2.22	- 0.07
South Korea	KOSPI	1,964.86	+ 15.81	+ 0.81
Taiwan	TWSE	8,575.62	+ 15.01	+ 0.18
Thailand	SET Index	1,303.88	+ 2.50	+ 0.19

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	25-Feb-14	24-Feb-14	Difference		25-Feb-14	24-Feb-14	Difference
1 month	1.5000	1.5000	0.000	4 year	3.1454	3.3750	- 0.230
3 month	1.0000	1.0000	0.000	5 year	3.7747	3.8500	- 0.075
6 month	1.6000	1.6000	0.000	7 year	3.9500	4.0000	- 0.050
1 year	1.8000	1.8000	0.000	10 year	4.0500	4.0500	0.000
2 year	2.7009	2.3500	+ 0.351	20 year	5.0018	5.2000	- 0.198
3 year	2.6567	2.5766	+ 0.080	25 year	5.7416	5.8422	- 0.101

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
3/5/2014	Philippines CPI All items YoY% 2006=100	Feb	2/26/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Feb 21
3/5/2014	Philippines CPI All items MoM% 2006=100	Feb	2/27/2014	US Initial Jobless Claims SA	Feb 22
3/5/2014	Philippines Core Inflation YoY 2006=100	Feb	2/27/2014	US Durable Goods New Orders Industries MoM SA	Jan
3/7/2014	Philippines Gross Intl Reserves	Feb	2/28/2014	GDP US Chained 2009 Dollars QoQ SAAR	4Q S
			2/28/2014	University of Michigan Survey of Consumer Confidence Sentiment	Feb F
			3/3/2014	US Personal Income MoM SA	Jan
			3/3/2014	ISM Manufacturing PMI SA	Feb
			3/6/2014	US Manufacturers New Orders Total MoM SA	Jan
			3/7/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Feb
			3/7/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Feb

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