

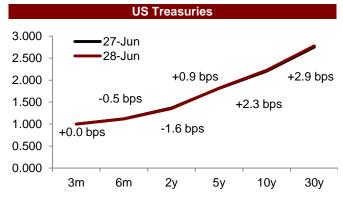
## The Morning View

June 29, 2017

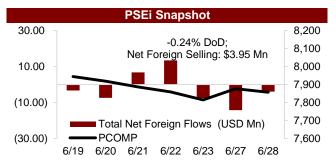
Global equities ended higher, led by strength in the US despite weak economic results, but pulled back by Asia and Europe following the ECB's hawkish comments. US yields showed a slight upward movement as investors shifted to equities. In the meantime, the dollar continued to decline on the back of delays in healthcare reform.

- Local stocks fell on the third straight trading day of net foreign equity outflows (USD 3.94m), tracking weakness in US stock markets, which were dragged down by tech shares, and as oil prices snapped recent winning streaks. The PSEi was down 0.24%, closing at 7,857.18.
- Local fixed income yields fell due to the sharp decline of the short-end of the curve (-18.36 bps). This movement dragged down the average (-4.80 bps) despite the upward movement of the rest of the curve, mirroring the movement overseas from hawkish statements from the ECB. The belly was up 2.30 bps and the long-end 1.44 bps.





- ✓ The Philippine peso fell to ten-year lows, as ECB President Mario Draghi's hawkish comments pulled global yields up, compounding worries over the deterioration in the the Philippines' current account balance. The USD/PHP rose 0.42% to 50.500
- ✓ The US dollar continued its decline as investors continued to price in a potentially hawkish European monetary policy and delays on US healthcare reform. The dollar hit a one-year low against the Euro. The DXY fell to 0.40% DoD, ending at 96.010.





- ✓ **US stocks** rallied, led by financials and partially supported by a decline in expected volatility (VIX fell 9.31% to close at 10.03). Investors largely ignored weak economic print (mortgage applications, pending home sales). The S&P 500 ended at 2,440.69 (+0.88% DoD), while the DJIA closed at 21,454.61 (+0.68% DoD).
- ✓ European equities traded sideways amid a dearth of financial information. Notable movement was in Dutch bank ABN Amro Group NV, down 1.9% after the Dutch government cut its ownership from 70% to 63%. The MSCI Europe lost 0.05% DoD to 130 32
- Asian equities fell as China's Shanghai Composite Index retreated from two-month highs, after Premier Li Keqiang commented on the difficulty of maintaing medium to long-term growth. The MSCI APxJ fell 0.32% to 505.13.
- ✓ US Treasury yields were flat with an upward bias as economic print continues to disappoint investors (e.g. mortgage applications down 6.2%, and pending home sales down 1.7% YoY). Yields rose 0.67 bps on average, with the 10YR closing at 2.28%.

| Foreign Exchange       |                 |        |  |  |
|------------------------|-----------------|--------|--|--|
| USD/PHP Previous Close |                 | 50.290 |  |  |
|                        | Close           | 50.500 |  |  |
| EUR/USD                | Previous Close  | 1.1262 |  |  |
|                        | Indicative Rate | 1.1376 |  |  |



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# The Morning View

June 29, 2017

#### **Key Indicators**

| YIELDS AND PRICES                               | 28-Jun-17 | DoD    | WoW    | МоМ    | YTD    |
|---|-----------|--------|--------|--------|--------|
| 91-Day Philippine Treasury Bill Yield (PDST-R2) | 2.02      | 0.01%  | -0.03% | 0.08%  | -0.64% |
| 1-Year Philippine Treasury Bill Yield (PDST-R2) | 2.86      | 0.01%  | 0.00%  | 0.02%  | 0.49%  |
| ROP2021 (Price)                                 | 106.66    | (0.17) | (0.23) | 0.13   | (1.70) |
| ROP2034 (Price)                                 | 135.02    | (0.56) | (0.50) | 1.83   | 4.55   |
| 3-Month US Treasury Yield                       | 1.00      | 0.00%  | 0.02%  | 0.08%  | 0.84%  |
| 3-Month German Treasury Bill Yield              | (0.81)    | -0.01% | 0.03%  | 0.02%  | -0.27% |
| Dubai Crude Oil Spot (\$/bbl)                   | 45.38     | 0.71%  | 2.23%  | -9.75% | 41.24% |
| Gold Spot (\$/oz)                               | 1,249.25  | 0.17%  | 0.22%  | -1.39% | 17.70% |

#### **Upcoming Economic Releases**

#### **Philippines**

| Date      | Event                                | Period | Prior |
|-----------|--------------------------------------|--------|-------|
| 6/30/2017 | Bank Lending YoY                     | May    | 16.0% |
| 7/3/2017  | Nikkei Philippines Manufacturing PMI | June   | 54.3  |

#### **Developed Markets**

| Date      | Country | Event                                   | Period | Prior |
|-----------|---------|---|--------|-------|
| 6/29/2017 | US      | Initial Jobless Claims                  | June   | 241k  |
| 6/29/2017 | Germany | CPI YoY                                 | June   | 1.5%  |
| 6/30/2017 | Japan   | Industrial Production MoM (Preliminary) | May    | 4.0%  |

#### **Emerging Markets**

| Date      | Country   | Event                          | Period | Prior |
|-----------|-----------|--------------------------------|--------|-------|
| 6/30/2017 | China     | Manufacturing PMI              | June   | 51.2  |
| 7/3/2017  | Indonesia | CPI Core YoY                   | Jun    | 3.2%  |
| 7/3/2017  | India     | Nikkei India PMI Manufacturing | Jun    | 51.6  |

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones, The Wall Street Journal, CNBC

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