

## Local

- The local benchmark index extended its losses due to the negative sentiment brought by the country's slower-than-expected GDP print for the first three months of the year. The PSEi continued its downtrend, losing an additional 29.02 points, or -0.43%, to close at 6,647.65. Holding firms (+0.38%) and property (+0.28%) managed to hold on to gains while industrials (-1.23%), financials (-0.90%) and mining and oil (-0.86%) incurred the largest losses among peers. Market breadth continued to be negative with 98 declines outnumbering 66 advances, while 52 issues were unchanged. Total value turnover amounted to a robust Php16.34 billion. Foreign investors were net buyers at Php0.48 billion.
- Data released by the Philippine Statistics Authority (PSA) showed that domestic production of sugarcane for 1Q2014 rose 5.6% on an annual basis to 12.3 million tons amid volume increases across almost all cane-based products. The PSA stated that the strong growth was due to expanded harvest areas in Capiz, Iloilo, Negros Occidental and Bukidnon. Moreover, the fastest growing segment was sugar for ethanol production, the volume of which jumped 79% to about 214,000 tons. On the other hand, harvest of sugar cane for chewing declined by 19% to 234 tons amid shrinking demand.
- According to the Bureau of Customs 2013 accomplishment report, only Php2.5 billion worth of illegally smuggled goods were seized last year. The report likewise noted that smuggling continued to fester at various ports, causing harm to local industries, manufacturers, and resulting in revenue loss for the government. The report's "Top 10" list of seized smuggled goods included rice shipments worth Php1.2 billion, counterfeit goods worth Php621.95 million, vessels worth Php150 million and medicines worth Php62.7 million.
- On the local fixed income market, prices of government securities climbed as buying interest was seen among investors on speculation that there will be no interest rate hike by the central bank in the coming months following the disappointing first quarter GDP print for the country. Yields across the curve declined by 2.12 basis points with the belly and the long-end of the curve dipping by 5.1 and 0.7 basis points, respectively.
- The Philippine peso bounced back against the greenback after three consecutive days of depreciation as investors favored the local currency after the US recorded a lower-than-expected 1Q2014 GDP of -1.0% against -0.5% estimate. The USD/PHP currency pair appreciated 14 centavos to end the week at 43.760.

## US and Europe

- US equities closed at new record highs as investors concentrated on solid regional manufacturing data, which overshadowed the unexpected slowdown in both consumer spending and sentiment. The S&P500 index increased 3.54 points to close at 1,923.57, while the Dow Jones Industrial Average index climbed 18.43 points to close at 16,717.17.
- Reports from the US Commerce Department indicated that consumer spending fell by 0.3% month-on-month in April. This unexpected dip in household purchases was the first decline since April 2013, and was mostly driven by weak spending on durable goods and utilities.
- US consumer confidence weakened in May. The Thomson Reuters/University of Michigan final index of sentiment fell short of the 82.5 estimate as it dropped to 81.9 from 84.1 in April. The Current Conditions index declined to 94.5 from 98.7, while Consumer Expectations weakened to 73.7 from 74.7. Richard Curtin, economist at the University of Michigan, believes that the dip in consumer sentiment was mostly a result of the harsh winter across the country. Moreover, he stated that consumers anticipate a stronger economy in the coming months with robust jobs creation as the main lead for consumer expectations.
- US Treasuries posted the biggest monthly price rally on weaker-than-expected economic data, which was somewhat offset by profit-taking within the same day. Two-year yields fell 0.2 basis points to close at 0.373%, while ten-year yields gained 1.2 basis points to close at 2.476%.
- European equities slipped mostly due to the weak performance of mining stocks and profit concerns over BNP Paribas. The FTSEurofirst300 index declined 1.59 basis points to close at 1,377.46.
- The euro traded slightly higher against the US dollar as investors remained on the sidelines ahead of the European Central Bank's policy meeting to be held this week. The shared currency added 0.15 cents to close at EUR/USD1.3617.

## Asia Pacific

- Asian markets were mostly down Friday, with Japanese stocks suffering from the yen's appreciation and from data that showed household spending had tumbled due to a sales tax hike. Reports from the Japanese government depicted that household spending fell by 13.3%, more than the 13.0% decline forecasted by analysts. The contraction was attributed to the April 1 sales tax hike from 5% to 8%. The data likewise showed that the decline was steeper than what was experienced when the government introduced a 3% sales tax hike in 1989 and the 2% subsequent increase in 1997. Government officials reaffirmed that spending will quickly recover as the labor market remains tight. The MSCI All Country Asia Pacific Index waned 0.35 points, or -0.25%, to 141.7.

## Key Indicators

EQUITIES BENCHMARK INDICES		30-May-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index		6,647.65	-0.43%	-2.40%	-0.90%	12.87%
MSCI World USD Index		1,715.18	0.11%	1.02%	1.63%	3.69%
MSCI All Country Asia Pacific ex-Japan Total Returns		397.61	-0.33%	-0.08%	3.22%	6.04%
MSCI Europe USD Index		1,825.27	0.11%	0.73%	0.19%	3.94%
FTSEurofirst 300 Index		1,377.46	-0.12%	0.61%	1.85%	4.81%
Dow Jones Industrial Average Index		16,717.17	0.11%	0.67%	0.82%	1.45%
Standard & Poor's 500 Index		1,923.57	0.18%	1.21%	2.10%	4.46%
YIELDS AND PRICES		30-May-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)		1.2442	-0.01%	-0.02%	-0.22%	0.75%
1-Year Philippine Treasury Bill Yield (PDST-F)		2.1000	-0.02%	-0.01%	-0.30%	1.17%
ROP2021 (Price)		107.262	0.07	1.03	1.99	3.64
ROP2034 (Price)		129.629	(0.15)	1.32	4.39	10.07
3-Month US Treasury Yield		0.0304	0.00%	0.00%	0.01%	-0.03%
2-year US Treasury Yield		0.3730	-0.00%	0.03%	-0.04%	-0.01%
10-year US Treasury Yield		2.4759	0.01%	-0.06%	-0.17%	-0.52%
30-year US Treasury Yield		3.3277	0.00%	-0.07%	-0.13%	-0.61%
3-Month German Treasury Bill Yield		-0.004	-0.00%	-0.02%	0.04%	-0.07%
Brent Crude Oil Spot (\$/bbl)		109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)		106.41	-0.22%	-0.39%	1.48%	-2.10%
1-month Nymex oil futures (\$/bbl)		102.71	-0.84%	-1.57%	2.98%	2.38%
Gold Spot (\$/oz)		1,249.73	-0.47%	-3.31%	-3.24%	3.00%
USD/PHP (PDEX close)		43.760	(0.14)	0.09	(0.84)	(0.64)

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		May 30, 2014			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	141.77	-	0.35	- 0.25
Australia	S&P/ASX 200 Index	5,492.55	-	26.93	- 0.49
China	Shanghai SE Comp Index	2,039.21	-	1.38	- 0.07
Hong Kong	Hang Seng Index	23,081.65	+	71.51	+ 0.31
India	SENSEX	24,217.34	-	16.81	- 0.07
Indonesia	Jakarta Composite Index	4,893.91	-	91.67	- 1.84
Japan	Nikkei 225	14,632.38	-	49.34	- 0.34
Malaysia	KLCI	1,873.38	-	3.24	- 0.17
New Zealand	NZX 50 Index	5,178.44	-	4.73	- 0.09
Singapore	Straits Times Index	3,295.85	-	4.86	- 0.15
South Korea	KOSPI	1,994.96	-	17.30	- 0.86
Taiwan	TWSE	9,075.91	-	33.09	- 0.36
Thailand	SET Index	1,415.73	+	7.22	+ 0.51

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	30-May-14	29-May-14	Difference		30-May-14	29-May-14	Difference	
1 month	1.2500	1.2500		0.000	4 year	2.9760	2.9178	+ 0.058
3 month	1.0700	1.0750	-	0.005	5 year	3.2554	3.5500	- 0.295
6 month	1.7500	1.7250	+	0.025	7 year	3.4840	3.4720	+ 0.012
1 year	1.9500	1.9500		0.000	10 year	3.9000	3.9500	- 0.050
2 year	2.2990	2.3292	-	0.030	20 year	4.7850	4.8000	- 0.015
3 year	2.6337	2.6322	+	0.002	25 year	4.9485	4.9051	+ 0.043

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
6/5/2014	Philippines CPI All items YoY% 2006=100	May	6/2/2014	ISM Manufacturing PMI SA	May
6/5/2014	Philippines CPI All items MoM% 2006=100	May	6/3/2014	US Manufacturers New Orders Total MoM SA	Apr
6/5/2014	Philippines Core Inflation YoY 2006=100	May	6/4/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	May 30
6/6/2014	Philippines Gross Intl Reserves	May	6/4/2014	ADP National Employment Report SA Private Nonfarm Level Change	May
6/10/2014	Philippines External Trade Exports YoY	Apr	6/4/2014	US Trade Balance Balance Of Payments SA	Apr
6/10/2014	Philippines Labor Force Survey Unemployment Rate New Concept	Apr	6/5/2014	US Initial Jobless Claims SA	May 31
6/10/2014	Philippines External Trade Exports	Apr	6/6/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	May
6/10/2014	Philippines External Trade Exports	Apr	6/6/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	May
			6/10/2014	Merchant Wholesalers Inventories Total Monthly % Change	Apr
			6/12/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	May

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