

Local

- The local equities market closed above the 6,700 mark yesterday as bargain-hunting ensued following last week's two-day drop on weak 1Q2014 GDP growth data. The PSEi started the week on a positive note, gaining 62.75 points, or +0.94%, to close at 6,710.40. All sectoral indices closed in positive territory with services (+1.47%), industrials (+0.97%) and holding firms (+0.84%) incurring the largest gains. Market breadth was positive with 105 advances outnumbering 62 declines, while 47 issues were unchanged. Total value turnover amounted to Php7.03 billion. Foreign investors were net sellers at Php0.6 billion.
- Listed leisure estate and gaming firm Belle Corp. (BEL) is looking to spin off its key gaming assets to its listed subsidiary Sinophil Corp. (SINO). Once the deal is completed, SINO will be transformed into an investment holding arm for gaming-related assets of BEL. The company also stated that SINO's reorganization is expected to be completed by August this year.
- Abotiz Power Corp. (AP) disclosed that a wholly owned subsidiary, "Therma Visayas, Inc." has signed an engineering, procurement and construction (EPC) contract with Hyundai Engineering Co. Ltd. and Galing Power Energy Co., Inc. following two months of negotiations. The plant, which would create around 1,500 jobs during construction and 150 permanent jobs from plant operations, will have two steam turbines and two circulating fluidized bed boilers. AP likewise disclosed that it would finance the project through local financing institutions. Once completed, the project will ensure that Cebu has adequate and competitively priced baseload power supply by 2017.
- The Bureau of Treasury sold Php20 billion worth of Treasury Bills during an auction concluded yesterday. Php8 billion worth of 91-day bills were awarded at an average yield of 1.035%, Php6 billion worth of 181-day bills were awarded at an average yield of 1.481%, and Php6 billion worth of 364-day bills were awarded at an average yield of 1.754%. The government received tenders totaling Php62.406 billion, more than three times the amount offered.
- The Philippine peso weakened against the greenback, tracking regional peers as investors adopted an over-all risk-off stance towards TIP (Thailand, Indonesia, Philippines) after Indonesia unexpectedly reported a trade deficit. The USD/PHP currency pair gave back 4 centavos to close at 43.800.

US and Europe

- US equities moderately increased in what analysts described as a slow-paced trading day as investors awaited the results and revisions made to the closely watched Institute for Supply Management (ISM) manufacturing Purchasing Managers Index (PMI). The day ended with the ISM manufacturing PMI settling in-line with market expectations. The S&P 500 index inched up 1.4 basis points to close at 1,924.97, while the Dow Jones Industrial Average index increased 26.46 basis points to close at 16,743.63.
- Data released by the ISM showed that the US factory sector accelerated in May. The ISM initially reported that the PMI for the month of May was at 53.2 then revised it to 56 before announcing its final figure at 55.4—close to market estimate of 55.5. The new orders index rose to 56.9 from 55.1 in April, which indicated growth for the twelfth consecutive month. The production index climbed to 61 from 57 in April. Employment figure grew for the eleventh consecutive month despite declining slightly to 52.8% from 54.7%.
- The US Commerce Department reported that the construction spending hit the highest level since March of 2008. Construction spending grew 0.2% in May, lower than the market projections of 0.6%, to an annual rate of US\$953.3 billion. This was mainly driven by public construction outlays with an increase of 0.8%. Meanwhile, spending on federal government and state and local government projects also increased solidly. However, it is important to note that spending on private construction projects was flat due to a 0.1% increase in residential outlays that was offset by a 0.1% dip in non-residential projects.
- US Treasury bond prices plummeted to the lowest level in more than six weeks due to brightened growth expectations for both China and the US following solid manufacturing PMIs out of the world's largest economies. The two-year note yield gained 1 basis point to 0.387%, while the 10-year bond yield increased 5.3 basis points to 2.527%.
- European stocks gained ground as investors believe the European Central Bank will initiate further stimulus policies at its slated meeting on Thursday following a softer-than-expected euro zone manufacturing PMI and weak German inflation figures. The FTSEurofirst300 index tacked on 3 points to close at 1,380.46.
- The euro weakened against the US dollar as investors remained cautious ahead of the European Central Bank's policy meeting this week. The shared currency pared 0.38 cents to close at EUR/USD1.3597.

Asia Pacific

- Asian shares started off the week positively as sentiment was lifted by strong Chinese manufacturing data and some country-specific news. China's official purchasing managers' index rose to 50.8 in May from 50.4 in April, data from the National Bureau of Statistics showed. In other news, Thailand's SET Index (+) rose as investors remained optimistic on an upcoming economic reform plan. Sentiment was further lifted by Moody's affirming its Baa1 sovereign rating, citing the country's fundamental credit strengths were strong enough to withstand cyclical bouts of political instability. The MSCI All Country Asia Pacific Index increased 0.70 points, or 0.49%, to 142.47. Markets in China, Hong Kong and Taiwan were closed for the Dragon Boat Festival.

Key Indicators

EQUITIES BENCHMARK INDICES		30-May-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index		6,710.40	0.94%	-1.18%	-0.48%	13.93%
MSCI World USD Index		1,717.27	0.12%	0.83%	1.67%	3.82%
MSCI All Country Asia Pacific ex-Japan Total Returns		397.99	0.10%	0.04%	3.06%	6.14%
MSCI Europe USD Index		1,824.39	-0.05%	-0.02%	0.23%	3.89%
FTSEurofirst 300 Index		1,380.46	0.22%	0.29%	2.17%	5.03%
Dow Jones Industrial Average Index		16,743.63	0.16%	0.83%	1.40%	1.61%
Standard & Poor's 500 Index		1,924.97	0.07%	1.29%	2.33%	4.54%
YIELDS AND PRICES		30-May-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)		1.2521	0.01%	-0.03%	-0.21%	0.76%
1-Year Philippine Treasury Bill Yield (PDST-F)		2.1583	0.06%	-0.00%	-0.24%	1.23%
ROP2021 (Price)		107.210	(0.05)	0.91	1.54	3.59
ROP2034 (Price)		129.510	(0.12)	1.00	3.46	9.95
3-Month US Treasury Yield		0.0253	-0.01%	-0.01%	0.01%	-0.04%
2-year US Treasury Yield		0.3868	0.01%	0.04%	-0.04%	-0.00%
10-year US Treasury Yield		2.5267	0.05%	-0.01%	-0.06%	-0.47%
30-year US Treasury Yield		3.3691	0.04%	-0.02%	0.00%	-0.57%
3-Month German Treasury Bill Yield		0.000	0.00%	-0.01%	0.02%	-0.06%
Brent Crude Oil Spot (\$/bbl)		109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)		105.39	-0.96%	-1.06%	0.76%	-3.04%
1-month Nymex oil futures (\$/bbl)		102.47	-0.23%	-1.80%	2.72%	2.14%
Gold Spot (\$/oz)		1,243.96	-0.46%	-3.77%	-4.28%	2.52%
USD/PHP (PDEX close)		43.800	0.04	0.13	(0.70)	(0.60)

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of June 02, 2014					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	142.47	+	0.70	+ 0.49
Australia	S&P/ASX 200 Index	5,518.46	+	25.92	+ 0.47
China	Shanghai SE Comp Index	2,039.21		0.00	0.00
Hong Kong	Hang Seng Index	23,081.65		0.00	0.00
India	SENSEX	24,684.85	+	467.51	+ 1.93
Indonesia	Jakarta Composite Index	4,912.09	+	18.18	+ 0.37
Japan	Nikkei 225	14,935.92	+	303.54	+ 2.07
Malaysia	KLCI	1,864.25	-	9.13	- 0.49
New Zealand	NZX 50 Index	5,178.44		0.00	0.00
Singapore	Straits Times Index	3,302.24	+	6.39	+ 0.19
South Korea	KOSPI	2,002.00	+	7.04	+ 0.35
Taiwan	TWSE	9,075.91		0.00	0.00
Thailand	SET Index	1,440.94	+	25.21	+ 1.78

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)									
	02-Jun-14	30-May-14	Difference			02-Jun-14	30-May-14	Difference	
1 month	1.2500	1.2500		0.000	4 year	2.9300	2.9760	-	0.046
3 month	1.0150	1.0700	-	0.055	5 year	3.3500	3.2554	+	0.095
6 month	1.7000	1.7500	-	0.050	7 year	3.4615	3.4840	-	0.023
1 year	1.9861	1.9500	+	0.036	10 year	3.9000	3.9000		0.000
2 year	2.3036	2.2990	+	0.005	20 year	4.8500	4.7850	+	0.065
3 year	2.6329	2.6337	-	0.001	25 year	5.0188	4.9485	+	0.070

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
6/5/2014	Philippines CPI All items YoY% 2006=100	May	6/3/2014	US Manufacturers New Orders Total MoM SA	Apr
6/5/2014	Philippines CPI All items MoM% 2006=100	May	6/4/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	May 30
6/5/2014	Philippines Core Inflation YoY 2006=100	May	6/4/2014	ADP National Employment Report SA Private Nonfarm Level Change	May
6/6/2014	Philippines Gross Intl Reserves	May	6/4/2014	US Trade Balance Balance Of Payments SA	Apr
6/10/2014	Philippines External Trade Exports YoY	Apr	6/5/2014	US Initial Jobless Claims SA	May 31
6/10/2014	Philippines Labor Force Survey Unemployment Rate New Concept	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
			6/13/2014	University of Michigan Survey of Consumer Confidence Sentiment	Jun P

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