

Local

- The local equities market closed marginally higher yesterday on late-session bargain hunting that bucked regional weakness. Said weakness, due to negative Chinese services and Philippine inflation data, suppressed the market for most of the day, until select buying on mostly blue-chip names prompted it back up. Foreigners were net buyers at Php0.17 billion. The PSEi added 5.87 points, or +0.09%, to 6,772.44. Sectoral indices ended the day on an even split with property, holding firms and services ending higher, while industrial, mining and oil and financial shares closed lower. Market breadth remains to be positive with 97 advances outnumbering 84 declines, while 48 issues were unchanged. Total value turnover amounted to Php8.81 billion.
- The Department of Budget and Management (DBM) has released Php1.97 billion to the Department of Education for its Abot-Alam program. According to the DBM, the program is designed to provide various opportunities for education and possible career and employment for Filipino out-of-school youth. The Abot-Alam program also intends to “reintegrate” the beneficiaries with their respective communities through different services that will be offered by the program’s partners, some of whom will provide non-formal education.
- Listed property firm Ayala Land Inc. (ALI) looks to expand its hospitality business in Makati by building a new 275-room luxury hotel to be managed by the Mandarin Oriental Group. According to ALI, the new hotel will open its doors by 2020, though there is no decided location for the building yet. Mandarin Oriental had announced earlier that its 38-year old hotel along Makati Avenue would close this year. ALI looks to double its hotel and resort room inventory to 4,100 by 2016, most of which would be under its own brand, SEDA.
- Prices of local government securities fell slightly following the higher-than-expected inflation print, which gave rise to speculation that the central bank may hike rates as early as the June meeting. Yields marginally increased by an average of 0.22 basis points led by the belly and long-end of the curve, which climbed 1.2 and 1.1 basis points, respectively.
- The Philippine peso strengthened against the greenback as the above-consensus inflation print fuelled speculations of a rate hike from the BSP, causing investors to buy up the peso. The local currency appreciated by 6.5 centavos to close at 43.815.

US and Europe

- US equities rallied to record highs ahead of the the US government jobs report for May. Investors expect that the employment figure to be released Friday will show improvements in the US labor market amid the positive manufacturing and non-manufacturing purchasing managers indices released this week. The S&P 500 index climbed 12.58 points to close at 1,940.46, while the Dow Jones Industrial Average index rose 98.58 points to close at 16,836.11.
- Reports from Thomson Reuters indicated that retail sales continued to improve in May due to warmer weather and a surge of promotions that helped stimulate store traffic. The seven retailers tracked by Thomson Reuters showed a 4.4% increase in May sales, with Gap Inc., the eighth company, expected to post monthly results after the market closes.
- US Treasury prices initially plunged in the immediate wake of the European Central Bank’s rate cut announcement before rallying to close at higher price levels due to the non-farm payrolls report. The two-year note yield declined 1.4 basis points to close at 0.379%, while the ten-year bond yield slipped 2.2 basis points to close at 2.58%.
- European Central Bank (ECB) President Mario Draghi announced an unmatched round of measures to stimulate an economy threatened by deflation in the last ECB policy meeting held Thursday. The ECB cut its deposit rate to -0.1%-- an unprecedented cut that makes the ECB the first major central bank to use a negative rate. The benchmark refinancing rate was cut by 10 basis points and the marginal rate was reduced by 35 basis points to 0.4%.
- European equities advanced on optimism that the European Central Bank’s new stimulus measures will help enhance economic growth. The FTSEurofirst300 Index rose 5.46 points, or 0.4 %, to close at 1,380.21.
- The euro appreciated against the US dollar despite the ECB’s unprecedented rate cuts, as it disclosed that no further cuts are on the cards. The EUR/USD closed at 1.3663.

Asia Pacific

- Asian shares traded sideways Thursday as investors took a wait-and-see approach before the European Central Bank's policy announcements that came later in the day. All markets monitored traded within the +/-1% range from Wednesday's close. The MSCI All Country Asia Pacific Index increased 0.18 points, or 0.13%, to 143.03.

Key Indicators

EQUITIES BENCHMARK INDICES	05-Jun-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,772.44	0.09%	1.43%	0.09%	14.99%
MSCI World USD Index	1,725.60	0.46%	0.72%	2.12%	4.32%
MSCI All Country Asia Pacific ex-Japan Total Returns	398.96	0.22%	0.01%	3.52%	6.40%
MSCI Europe USD Index	1,824.43	0.33%	0.07%	0.39%	3.89%
FTSEurofirst 300 Index	1,380.21	0.40%	0.08%	2.42%	5.02%
Dow Jones Industrial Average Index	16,836.11	0.59%	0.82%	1.85%	2.17%
Standard & Poor's 500 Index	1,940.46	0.65%	1.06%	2.96%	5.38%
YIELDS AND PRICES	05-Jun-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.2896	0.02%	0.04%	-0.20%	0.80%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.1583	0.01%	0.04%	-0.25%	1.23%
ROP2021 (Price)	106.659	(0.09)	(0.53)	0.91	3.04
ROP2034 (Price)	128.309	(0.15)	(1.47)	1.43	8.75
3-Month US Treasury Yield	0.0304	0.00%	0.00%	0.02%	-0.03%
2-year US Treasury Yield	0.3790	-0.01%	0.00%	-0.04%	-0.01%
10-year US Treasury Yield	2.5824	-0.02%	0.12%	-0.02%	-0.42%
30-year US Treasury Yield	3.4362	-0.00%	0.11%	0.03%	-0.50%
3-Month German Treasury Bill Yield	-0.018	-0.01%	-0.02%	0.00%	-0.08%
Brent Crude Oil Spot (\$/bbl)	109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)	104.32	-1.19%	-2.18%	-0.48%	-4.02%
1-month Nymex oil futures (\$/bbl)	102.48	-0.16%	-1.06%	3.02%	2.15%
Gold Spot (\$/oz)	1,253.69	0.79%	-0.15%	-4.32%	3.32%
USD/PHP (PDEX close)	43.815	(0.07)	(0.09)	(0.59)	(0.58)

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of June 05, 2014					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	143.03	+ 0.18	+ 0.13	
Australia	S&P/ASX 200 Index	5,436.88	- 7.95	- 0.15	
China	Shanghai SE Comp Index	2,040.88	+ 16.04	+ 0.79	
Hong Kong	Hang Seng Index	23,109.66	- 42.05	- 0.18	
India	SENSEX	25,019.51	+ 213.68	+ 0.86	
Indonesia	Jakarta Composite Index	4,935.56	+ 3.00	+ 0.06	
Japan	Nikkei 225	15,079.37	+ 11.41	+ 0.08	
Malaysia	KLCI	1,869.00	+ 3.80	+ 0.20	
New Zealand	NZX 50 Index	5,159.49	+ 0.14	+ 0.00	
Singapore	Straits Times Index	3,279.64	- 0.53	- 0.02	
South Korea	KOSPI	1,995.48	- 13.08	- 0.65	
Taiwan	TWSE	9,140.72	+ 20.76	+ 0.23	
Thailand	SET Index	1,453.16	+ 3.76	+ 0.26	

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	05-Jun-14	04-Jun-14	Difference		05-Jun-14	04-Jun-14	Difference
1 month	1.2500	1.3098	- 0.060	4 year	2.9829	2.9798	+ 0.003
3 month	1.1000	0.9900	+ 0.110	5 year	3.3035	3.2936	+ 0.010
6 month	1.2750	1.3492	- 0.074	7 year	3.5030	3.4924	+ 0.011
1 year	1.8500	1.8919	- 0.042	10 year	3.9000	3.9000	0.000
2 year	2.3411	2.3205	+ 0.021	20 year	4.8250	4.8000	+ 0.025
3 year	2.6532	2.6387	+ 0.015	25 year	5.0208	5.0123	+ 0.0085

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
6/6/2014	Philippines Gross Intl Reserves	May	6/6/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	May
6/10/2014	Philippines External Trade Exports YoY	Apr	6/6/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	May
6/10/2014	Philippines Labor Force Survey Unemployment Rate New Concept	Apr	6/6/2014	US Employees on Nonfarm Payrolls Manufacturing Industry Monthly Net Change SA	May
6/10/2014	Philippines External Trade Exports	Apr	6/10/2014	Merchant Wholesalers Inventories Total Monthly % Change	Apr
6/6/2014	Philippines Gross Intl Reserves	May	6/11/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jun 6
6/10/2014	Philippines External Trade Exports YoY	Apr	6/12/2014	US Treasury Federal Budget Debt Summary Deficit Or Surplus NSA	May
6/10/2014	Philippines Labor Force Survey Unemployment Rate New Concept	Apr	6/12/2014	US Initial Jobless Claims SA	May 31
			6/12/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	May
			6/12/2014	US Import Price Index by End Use All MoM NSA	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