

Local

- The local equities market declined for a third consecutive day as geopolitical turmoil in Iraq and Ukraine fed inflation concerns on the continuing ascent of crude oil prices. This has also led to market speculation that the BSP may hike interest rates during their Monetary Board meeting this week, implying adverse corporate revaluations that further drove the market down. The PSEi continued its slide, losing 53.52 points, or -0.79%, to close a little above the 6,700 level at 6,704.93. All indices were in the red with property (-1.89%), financials (-1.07%), and industrials (-0.69%) incurring the largest losses. Market breadth continues to be negative with 131 declines outnumbering 53 advances, while 35 issues were unchanged. Total value turnover amounted to Php7.69 billion. Foreign investors were net sellers for the second straight day at Php0.31 billion.
- First Philippine Holdings Corp (FPH) disclosed that they are still considering bidding for provincial airport projects under the Public-Private Partnership (PPP) Program. The government is currently bidding out the operation and maintenance of six international airports as one project (i.e. Laguindingan, Panglao, Puerto Princesa, Bacolod, Davao and Iloilo). FPH, in partnership with Malaysia Airports Holdings Berhad, previously bid for the Php17.5 billion Mactan-Cebu International Airport Project but lost to the GMR-Megawide Consortium.
- The Bureau of Internal Revenues' (BIR) tax collections for May amounted to Php128.27 billion, 4.24% short of the Php133.95 billion target for the month. Despite failure to meet targets, the BIR's tax collections posted consistent month-on-month increases on the back of its aggressive monitoring of compliance with the tax code. Moving forward, the agency eyes removal of tax incentives available to certain industries to boost tax revenues through the passage of the controversial Fiscal Incentive Rationalization Bill. The said bill has been pending in Congress for 16 years. The BIR said that the increase in gross revenues of top earning corporations did not translate to higher tax revenues due to tax incentives enjoyed by select industries.
- The Bureau of the Treasury sold Php18.845 billion worth of re-issued 5-year Fixed Rate Treasury Notes during an auction concluded yesterday. The notes, with a coupon rate of 3.875%, were sold at an average yield of 3.511% higher than the 2.997% average yield during the last auction of 5-year FXTNs in November last year, and within the initial market indications of 3.30%-3.75%. Total bids amounted to Php48.945 billion.
- The Philippine peso strengthened against the greenback as some investors expect an interest rate hike from the central bank's Monetary Board meeting on Thursday. The local currency gained 5 centavos to close at 43.870

US and Europe

- US equities edged modestly higher as investors remained on the sidelines ahead of the Federal Reserve's monetary policy meeting this week. The S&P500 index advanced 4.21 points to close at 1,941.99, while the Dow Jones Industrial Average index climbed 27.48 points to close at 16,808.49.
- The US Labor Department announced that the consumer price index advanced by a seasonally adjusted 0.4% in May, which is the fastest pace since February 2013. The growth in consumer prices beat market expectations of 0.2% and reflected generally higher prices from food and gasoline to home rents and automobiles. Energy and food prices climbed 0.9% and 0.5% respectively, while core prices rose 0.3%, the largest increase since August 2011. Meanwhile, the price index for personal consumption expenditures, the Fed's preferred gauge of inflation, rose 1.6% year-on-year with core prices increasing 1.4%.
- The US Commerce Department reported that new-home construction slipped by 6.5% in May, with many Americans still struggling to afford new houses. This decline marked the first drop in four months and was broad-based across regions and types of construction. Single-family and multifamily housing starts dropped 5.9% and 7.6% respectively, while newly approved applications for building permits slumped 6.4%. However, it is important to note that single-family permits jumped 3.7% in May, which is the fastest rate of increase since September 2012.
- US Treasury prices dropped on the back of strong growth in consumer prices, signifying inflationary pressures in the US, which could mean more hawkishness from the Federal Reserve. The two-year yield climbed 1.2 basis points to close at 0.48%, while the ten-year yield rallied 5.4 basis points to close at 2.6523%.
- European equities gained momentum following solid auto sales data and speculations of aggressive M&A in the healthcare sector. The FTSEurofirst300 index advanced 3.80 points to close at 1,387.75.
- The euro depreciated against the greenback on the back of strong inflation data out in the US, which fueled expectations that the Federal Reserve will conclude a policy meeting on Wednesday by making fresh cuts to its monthly bond-buying program. The EUR/USD closed at 1.3543.

Asia Pacific

- Asian markets ended mostly lower Tuesday on country-specific news, and as investor sentiment was mostly weighed down by developments in Iraq, Ukraine and Argentina. Chinese shares (-0.92%) lost ground following data which showed that China attracted less foreign direct investment in May, 6% lower year-on-year at US\$8.6 billion. Meanwhile, Japan's Nikkei 225 (+0.29%) bucked the trend on the back of a weaker yen. The MSCI All Country Asia Pacific Index waned 0.22 points, or -0.15%, to 143.49.

Key Indicators

EQUITIES BENCHMARK INDICES		17-Jun-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,704.93		-0.79%	-1.08%	-1.65%	13.84%
MSCI World USD Index	1,728.74		0.10%	-0.38%	2.68%	4.51%
MSCI All Country Asia Pacific ex-Japan Total Returns	400.20		-0.21%	-0.87%	1.15%	6.73%
MSCI Europe USD Index	1,824.85		0.10%	-0.78%	0.78%	3.92%
FTSEurofirst 300 Index	1,387.75		0.27%	-0.75%	1.93%	5.59%
Dow Jones Industrial Average Index	16,808.49		0.16%	-0.81%	1.92%	2.00%
Standard & Poor's 500 Index	1,941.99		0.22%	-0.45%	3.42%	5.46%
YIELDS AND PRICES		17-Jun-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.2687		-0.01%	0.00%	-0.01%	0.78%
1-Year Philippine Treasury Bill Yield (PDST-F)	1.8550		-0.07%	-0.14%	-0.44%	0.92%
ROP2021 (Price)	105.892		(0.40)	(0.77)	(0.57)	2.27
ROP2034 (Price)	125.589		(1.05)	(2.53)	(3.95)	6.03
3-Month US Treasury Yield	0.0304		0.01%	0.00%	0.02%	-0.03%
2-year US Treasury Yield	0.4797		0.01%	0.04%	0.12%	0.09%
10-year US Treasury Yield	2.6523		0.06%	0.01%	0.13%	-0.35%
30-year US Treasury Yield	3.4421		0.05%	-0.04%	0.10%	-0.49%
3-Month German Treasury Bill Yield	-0.063		0.00%	-0.04%	-0.07%	-0.13%
Brent Crude Oil Spot (\$/bbl)	109.36		0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)	109.16		0.03%	3.44%	3.30%	0.43%
1-month Nymex oil futures (\$/bbl)	106.36		-0.51%	1.93%	4.25%	6.02%
Gold Spot (\$/oz)	1,270.65		-0.10%	0.85%	-1.76%	4.72%
USD/PHP (PDEX close)	43.870		(0.05)	0.20	0.12	(0.53)

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of June 17, 2014					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	143.49	-	0.22	- 0.15
Australia	S&P/ASX 200 Index	5,400.67	-	11.64	- 0.22
China	Shanghai SE Comp Index	2,066.70	-	19.29	- 0.92
Hong Kong	Hang Seng Index	23,203.59	-	97.08	- 0.42
India	SENSEX	25,521.19	+	330.71	+ 1.31
Indonesia	Jakarta Composite Index	4,909.52	+	24.06	+ 0.49
Japan	Nikkei 225	14,975.97	+	42.68	+ 0.29
Malaysia	KLCI	1,874.60	+	3.02	+ 0.16
New Zealand	NZX 50 Index	5,193.50	+	14.70	+ 0.28
Singapore	Straits Times Index	3,274.44	-	15.82	- 0.48
South Korea	KOSPI	2,001.55	+	7.96	+ 0.40
Taiwan	TWSE	9,240.60	+	37.67	+ 0.41
Thailand	SET Index	1,471.02	-	0.83	- 0.06

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	17-Jun-14	16-Jun-14	Difference		17-Jun-14	16-Jun-14	Difference	
1 month	1.2500	1.2500	0.000		4 year	3.1221	3.1750	- 0.053
3 month	1.1000	1.1000	0.000		5 year	3.4250	3.4000	+ 0.025
6 month	1.2389	1.3000	-	0.061	7 year	3.8000	3.7000	+ 0.100
1 year	1.6688	1.6598	+	0.009	10 year	3.9000	3.9000	0.000
2 year	2.4593	2.4557	+	0.004	20 year	4.9000	4.9000	0.000
3 year	2.7537	2.7515	+	0.002	25 year	5.1622	5.0754	+ 0.087

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
6/19/2014	Philippines BOP	May	6/18/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jun 13
6/19/2014	Philippines Overnight Reverse Repurchase Agreement RRP Rate	Jun 19	6/19/2014	Federal Funds Target Rate US	Jun 18
6/25/2014	Philippines External Balance of Trade	Apr	6/19/2014	US Initial Jobless Claims SA	Jun 14
6/25/2014	Philippines External Trade Imports YoY	Apr	6/23/2014	US Existing Homes Sales SAAR	May
6/25/2014	Philippines External Trade Imports	Apr	6/24/2014	Conference Board Consumer Confidence SA 1985=100	Jun
			6/25/2014	GDP US Chained 2009 Dollars QoQ SAAR	1Q T
			6/25/2014	US Durable Goods New Orders Industries MoM SA	May
			6/26/2014	US Personal Income MoM SA	May
			6/26/2014	US Personal Consumption Expenditures Nominal Dollars MoM SA	May
			6/27/2014	University of Michigan Survey of Consumer Confidence Sentiment	Jun F

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