The Morning View

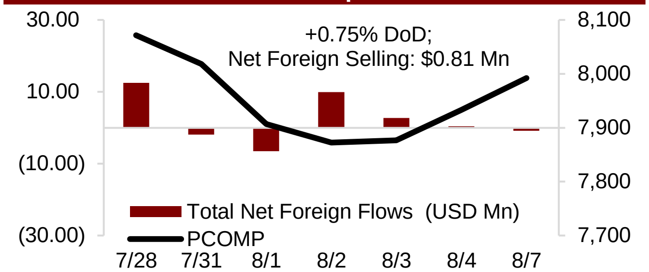
BPI Asset Management and Trust Corporation

August 8, 2017

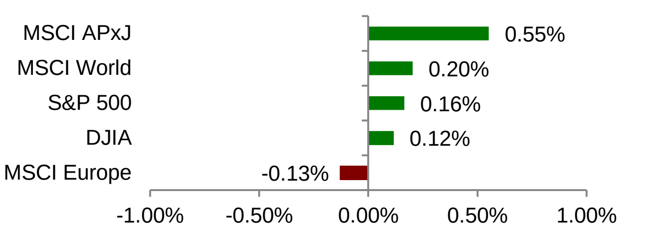
Global equities were mixed, with the US and Asia pulling ahead on optimism around US job data and good earnings releases. On the other hand, European stocks saw a decline on poor German industrial production. US yields and the USD were also down, following dovish comments from Fed officials and weak consumer credit expansion.

- ✓ The **local equities market** rose as investors took ongoing 2Q17 earnings releases positively, with large-caps SMPH and ALI reporting earnings growth of 15%. The PSEi increased by 59.45 points or 0.75%, closing at 7,992.27.
- ✓ In the **local fixed income market**, prices of government securities fell as investors repositioned to risk-on assets in light of stronger-than-expected US economic data. Concerns of inflation spikes drove yields higher. On average, yields went up by 5.06 bps, long end of the curve, which rose by 16.52 bps.

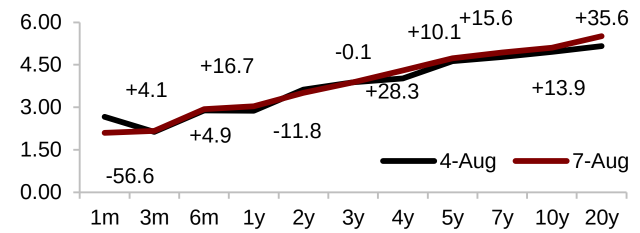
PSEi Snapshot



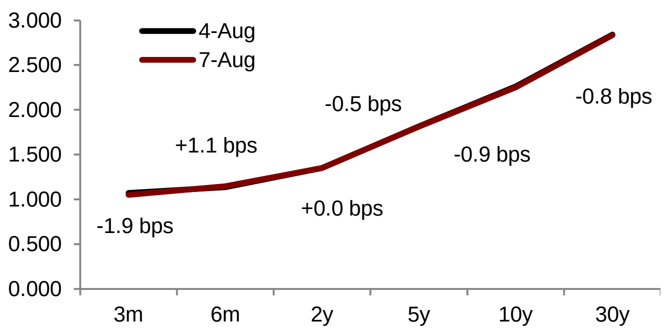
Global Equities



Local Bond Market Movement



US Treasuries



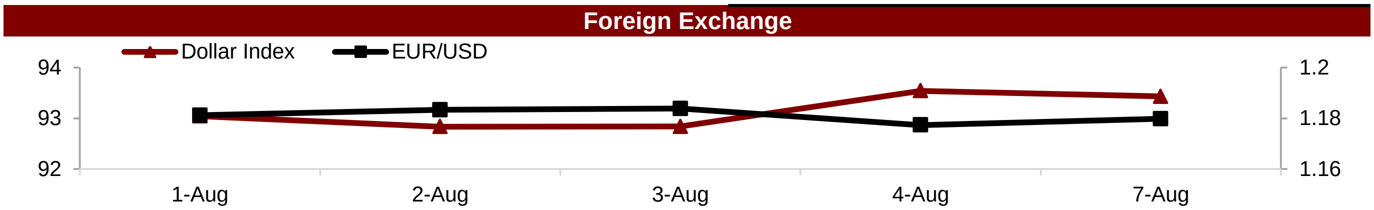
- ✓ **US equity markets** rose, with technology (ON, LRCX, NVDA) and consumer-staples (TSN) stocks buoying indices. The SPX gained 0.16% DoD to a record-high close of 2,480.91, while the DJIA closed at a new high for the ninth consecutive time, rising 0.12% DoD to 22,118.42.
- ✓ **European stocks** declined as poor economic print from Germany dragged down the market. German industrial output declined by 1.1% in June compared to an estimated positive 0.2%. Notably, this was the index's first monthly decline since December. The MSCI Europe was down 0.13% DoD, ending at 129.00.
- ✓ **Asian shares** were up as investor sentiment continued to be positive on the back of US jobs data, assuming it would be positive for demand in Asia. The MSCI APxJ gained 0.55% DoD to 531.51.
- ✓ **US Treasury yields** dipped after comments by Minneapolis Fed President Neel Kashkari, who cast doubt on claims of worker shortages due to data showing low wage growth. On average, yields fell 0.5 bps, with 10-year yields down 0.9 bps to 2.2530%.

- ✓ The **Philippine peso** weakened against the dollar after the release of better-than-expected US July nonfarm payrolls data strengthened the US currency. The peso went down by 0.39%, closing at 50.355.
- ✓ The **US dollar** marginally declined on weaker than expected consumer credit expansion (+$12.4 Bn in June, compared to $15.75 Bn consensus and $18.3 Bn in May) and dovish statements from James Bullard (suggesting that short-term interest are adequate for now). The DXY lost 0.12% DoD to 93.432.

Foreign Exchange

USD/PHP	Previous Close	50.160
	Close	50.355
EUR/USD	Previous Close	1.1773
	Indicative Rate	1.1798

Foreign Exchange



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Key Indicators

YIELDS AND PRICES	7-Aug-17	DoD	WoW	MoM	YTD
91-Day Philippine Treasury Bill Yield (PDST-R2)	2.17	0.04%	-0.02%	0.02%	-0.49%
1-Year Philippine Treasury Bill Yield (PDST-R2)	3.04	0.17%	0.21%	-0.19%	0.67%
ROP2021 (Price)	106.39	(0.08)	(0.01)	0.27	(1.97)
ROP2034 (Price)	134.68	(0.21)	0.31	2.32	4.21
3-Month US Treasury Yield	1.05	-0.02%	-0.02%	0.02%	0.89%
3-Month German Treasury Bill Yield	(0.70)	0.00%	-0.03%	0.11%	-0.18%
Dubai Crude Oil Spot ($/bbl)	50.46	0.40%	-1.23%	10.42%	57.05%
Gold Spot ($/oz)	1,257.90	-0.07%	-0.91%	3.69%	18.51%

Upcoming Economic Releases

Philippines

Date	Event	Period	Prior
8/10/2017	BSP Overnight Borrowing Rate	10-Aug	3.0%
8/15/2017	Overseas Remittances YoY	June	5.5%

Developed Markets

Date	Country	Event	Period	Prior
8/8/2017	Japan	BoP Current Account Balance	June	¥1653.9b
8/9/2017	US	Wholesale Inventories MoM (Final)	June	0.6%
8/10/2017	France	Industrial Production MoM	June	1.9%

Emerging Markets

Date	Country	Event	Period	Prior
8/9/2017	China	CPI YoY	July	1.5%
8/10/2017	India	Exports YoY	July	4.4%
8/11/2017	Thailand	Foreign Reserves	4-Aug	$189.3b

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