

Local

November 4, 2014

- The local equities market continued to rally after Finance Undersecretary Gil Beltran told reporters that economic growth will likely be better in the second half of the year than the first half. The PSEi gained 97.12 points, or +1.35% to close at 7,312.85. All sectors posted gains, led by the services (+2.02%) and industrial (+1.19%) sectors. Market breadth was positive with 98 advances outnumbering 83 declines, while 47 issues remained unchanged. Total value turnover reached Php7.66 billion. Foreign investors were net sellers at Php268.18 million.
- Megawide Construction Corp, who took control over terminal operations of Mactan-Cebu International Airport (MCIA) over the weekend, reiterated its plans to rehabilitate and expand the airport. The Company announced that plans to fix the airport would continue even after a group known as Business for Progress Movement asked the Supreme Court yesterday to halt the company's progress. The proposal of restraint stemmed from the business group's claim that India-based GMR, part of the GMR-Megawide consortium who assumed operations of MCIA, did not have the financial capacity to undertake the project. Louie Ferrer, chief marketing officer of Megawide, has reportedly asked the company's legal team to look into this claim and stated that they will, in the meantime, continue what they have started at the airport.
- Amando Tetangco, governor of the Bangko Sentral ng Pilipinas (BSP), said that the BSP will "keep a presence" in the market to prevent excessive volatility just as the Philippine peso continued to depreciate against the US dollar yesterday. The weakening Philippine peso is mainly attributable to the Bank of Japan (BOJ)'s announcement on Friday regarding additional stimulus measures in an effort to reflate the Japanese economy, which led the Philippine peso to close near P45 to the dollar yesterday.
- The Bureau of the Treasury sold all Php20 billion pesos debt on offer, where bids reached almost three times at Php58.43 billion. Average yield of 3-month debt rose to 1.298% from 1.144% from October 7 auction. Meanwhile, the 6-month debt and 1-year debt borrowing costs were lower at 1.654% and 1.768% compared to October 7 auction of 1.676% and 1.870%, respectively.
- The peso depreciated against the greenback after a surprise acceleration in US wage inflation. This data supported fears of a 2Q 2015 Fed hike, helping boost demand for the US dollar. The USD/PHP currency pair lost 2 centavos, to close at 44.900.

US and Europe

- US equities fell to start the week, as investors sought to take profits from recent record highs and as energy companies lost ground after Saudi Arabia cut the cost of crude sent to American customers. The S&P 500 shed 0.24 points, less than 0.1%, to close at 2,017.81, while the Dow Jones Industrial Average slipped 24.28, or 0.1%, to close at 17,366.24.
- Construction spending in the US fell for the second consecutive month in September, mainly due to the drop in government investment. The 0.4% decline was lower than the 0.7% growth expected for the month. Private spending dipped 0.1% to register at its lowest level since October 2013. Public construction spending, on the other hand, was down 1.3% as state and local governments decreased investment by 1.4% and as the federal government dropped spending by 0.3%.
- Manufacturing activity in the Eurozone for October increased slightly, but was below expectations mainly due to businesses cutting prices. Markit reported a manufacturing PMI in the region of 50.6 in October, higher than the registered 50.3 in September but short of the 50.7 estimate for the month.
- US Treasuries continued to slide due to concerns that the Fed may raise rates earlier as a result of the stronger than expected purchasing managers index released by the Institute for Supply Management. The two-year note yield was up 1.8 basis points to 0.509%, while the 10-year bond yield climbed 0.9 basis points to 2.334%.
- European stocks dipped as a result of the manufacturing data registering below estimates. The FTSEurofirst300 index fell 0.9% to 1,340.38.
- The US Dollar appreciated 0.38% day-on-day relative to the Euro in light of lower than expected manufacturing data in the Eurozone. The US Dollar gained 0.0048 to close at 1.2487.

Asia Pacific

- Asian stocks ended mixed as country-specific factors influenced local markets. The Chinese official manufacturing gauge was at its five-month low for October at 50.8, causing the Hang Seng Index to slide by 0.34% or 82.09 points. Despite this news, investors in the Mainland focused more on reports that China will not introduce long-awaited taxes in properties until 2017. The surge in Chinese property stocks allowed the Shanghai Composite to close higher by 0.41% or 9.85 points.

Key Indicators

EQUITIES BENCHMARK INDICES	3-Nov-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,312.85	1.35%	2.95%	0.91%	24.16%
MSCI World USD Index	1,699.09	-0.53%	1.94%	1.42%	2.72%
MSCI All Country Asia Pacific ex-Japan Total Returns	399.46	-0.58%	2.02%	2.51%	6.53%
MSCI Europe USD Index	1,621.16	-1.16%	0.91%	-0.59%	-7.68%
FTSEurofirst 300 Index	1,340.38	-0.86%	2.71%	-0.50%	1.99%
Dow Jones Industrial Average Index	17,366.24	-0.14%	3.26%	2.10%	5.39%
Standard & Poor's 500 Index	2,017.81	-0.01%	2.86%	2.54%	9.58%
YIELDS AND PRICES	3-Nov-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.5333	0.10%	0.11%	-0.14%	1.04%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.0521	0.16%	0.17%	-0.13%	1.12%
ROP2021 (Price)	107.280	0.14	(0.11)	1.75	3.66
ROP2034 (Price)	131.721	0.48	0.13	5.34	12.16
3-Month US Treasury Yield	0.0051	0.00%	0.00%	0.00%	-0.06%
2-year US Treasury Yield	0.5114	0.02%	0.13%	-0.05%	0.12%
10-year US Treasury Yield	2.3425	0.01%	0.08%	-0.09%	-0.66%
30-year US Treasury Yield	3.0638	-0.00%	0.03%	-0.06%	-0.87%
3-Month German Treasury Bill Yield	-0.137	0.00%	-0.01%	-0.04%	-0.20%
Dubai Crude Oil Spot (\$/bbl)	83.25	0.01%	-0.69%	-9.67%	-23.41%
1-month Nymex oil futures (\$/bbl)	78.78	-2.19%	-2.74%	-12.21%	-21.47%
Gold Spot (\$/oz)	1,165.55	-0.68%	-4.97%	-2.17%	-3.94%
USD/PHP (PDEX close)	44.900	0.02	0.10	0.15	0.50

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets				
Last Trade as of November 3, 2014				
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pacific Index	140.33	- 1.51	- 1.06
Australia	S&P/ASX 200 Index	5,506.89	- 19.72	- 0.36
China	Shanghai SE Comp Index	2,430.03	+ 9.85	+ 0.41
Hong Kong	Hang Seng Index	23,915.97	- 82.09	- 0.34
India	SENSEX	27,860.38	- 5.45	- 0.02
Indonesia	Jakarta Composite Index	5,085.51	- 4.04	- 0.08
Japan	Nikkei 225	16,413.76	0.00	0.00
Malaysia	KLCI	1,853.34	- 1.81	- 0.10
New Zealand	NZX 50 Index	5,418.22	+ 30.39	+ 0.56
Singapore	Straits Times Index	3,290.84	+ 16.59	+ 0.51
South Korea	KOSPI	1,952.97	- 11.46	- 0.58
Taiwan	TWSE	9,004.86	+ 30.10	+ 0.34
Thailand	SET Index	1,579.18	- 4.98	- 0.31

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	3-Nov-14	31-Oct-14	Difference		3-Nov-14	31-Oct-14	Difference
1 month	1.3019	1.3188	- 0.017	4 year	2.8510	2.8750	- 0.024
3 month	1.3800	1.4000	- 0.020	5 year	3.3000	3.4725	- 0.173
6 month	1.6250	1.5000	+ 0.125	7 year	3.8000	3.8000	0.000
1 year	1.8250	1.7000	+ 0.125	10 year	3.9513	3.9996	- 0.048
2 year	2.3000	2.3011	- 0.001	20 year	4.4609	4.4881	- 0.027
3 year	2.4225	2.4146	+ 0.008	25 year	4.8202	4.7738	+ 0.046

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
11/5/2014	Philippines CPI All items YoY% 2006=100	Oct	11/4/2014	US Trade Balance of Goods and Services SA	Sep
11/5/2014	Philippines CPI All items MoM% 2006=100	Oct	11/4/2014	US Manufacturers New Orders Total MoM SA	Sep
11/5/2014	Philippines Core Inflation YoY 2006=100	Oct	11/5/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Oct 31
11/7/2014	Philippines Gross Intl Reserves	Oct	11/5/2014	ADP National Employment Report SA Private Nonfarm Level Change	Oct
11/11/2014	Philippines External Trade Exports YoY	Sep	11/6/2014	US Initial Jobless Claims SA	Nov 1
11/11/2014	Philippines External Trade Exports	Sep	11/7/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Oct
			11/7/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Oct
			11/12/2014	Merchant Wholesalers Inventories Total Monthly % Change	Sep
			11/14/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Oct
			11/14/2014	University of Michigan Survey of Consumer Confidence Sentiment	Nov P

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