

Local

November 5, 2014

- Local equities erased yesterday's gains as some key corporate earnings results disappointed. The PSEi dropped 90.84 points, or 1.24%, to close at 7,222.01. All sectors ended in the red, led by services (-2.07%) and property (-1.02%). Market breadth was negative, with 128 declines outnumbering only 57 advances, while 42 issues remained unchanged. Total value turnover reached Php8.51 billion. Foreign investors were net sellers at Php0.22 million.
- Globe Telecom Inc (Ticker: GLO) and Lopez-owned Bayantel have asked the Court of Appeals to allow the National Telecommunications Commission (NTC) to lift a temporary restraining order petition filed by Philippine Long Distance Telephone Co (Ticker: TEL). The TRO currently restricts GLO and Bayantel from proceeding with a merger between the two companies. GLO had expected to secure the NTC's approval to take over Bayantel in July before TEL sought to stop the deal.
- The Bangko Sentral ng Pilipinas (BSP) said market rates could start rising in the coming months as the national government accelerates spending. M3, the broadest measure of liquidity, expanded by 16.2 percent to Php7.20 trillion in September, a deceleration from the 18.3 percent growth recorded in August. Note that M3 growth reached 30 percent in July last year and remained above that level for 10 months after the central bank reduced the SDA rate by 150 basis points in early 2013 and tightened access to the facility.
- On the local fixed income market, prices of government securities decreased ahead of the release of the October CPI by the BSP and US Non-farm Payroll figure on Friday evening. Yields on the belly and the short-end of the curve inched down by 0.2 and 0.7 basis points, respectively. Meanwhile, the long-end of the curve climbed by 8 basis points.
- The peso depreciated further against the greenback, even trading beyond the 45.000-level at the opening, on expectations that the Federal Reserve will move towards interest rate increases next year. The USD/PHP currency pair lost 1.5 centavos, to close at 44.915 from 44.900.

US and Europe

- US equities closed marginally lower on Tuesday mostly due to a drop in energy stocks as the price of oil slid to its lowest in four years. Investors also remained on the sidelines ahead of the mid-term election and just as the European Commission downgraded its European growth outlook. The S&P 500 shed 5.71 points, 0.3%, to close at 2,012.10, while the Dow Jones Industrial Average tickled up 17.6 points, to close at 17,383.84.
- The US trade deficit increased for the month of September, with exports dropping to a five-month low. The USD43 billion deficit for the month was higher than the expected USD40.2 billion for September as exports fell 1.5% month-on-month while imports remained at the same level. With the slump in energy prices, US petroleum imports fell 3.2% month-on-month to USD26.4 billion, its lowest level in five years. On the other hand, non-petroleum imports reached record levels due to a USD2 billion increase in imports of cellphones.
- The European Commission slashed its growth outlook for the Eurozone and the EU, reflecting the lack of investment within the region and the geopolitical tensions in Eastern Europe and the Middle East. The commission revised its forecasts for 2014 Eurozone growth to 0.8%, lower than the 1.2% originally estimated around six months ago. Growth in the next two years are expected to be at 1.1% for next year and 1.7% in 2016.
- US Treasuries ended mixed in light of the market's risk-off sentiment following the release of weak European data, coupled with the support brought about by the downward trend in oil prices. The two-year note yield crept up 0.2 basis points to 0.514%, while the 10-year bond yield slid 0.5 basis points to 2.337%.
- European stocks continued to fall after the European Commission revised growth forecasts for the Eurozone downwards. The FTSEurofirst300 index fell 1% to 1,326.59.
- The US Dollar lost 0.53% day-on-day against the Euro due to weak US data on factory orders and a softer than expected trade balance. The US Dollar shed 0.0067 to close at 1.2554.

Asia Pacific

- Asian stocks ended mixed as country-specific factors continued to influence local markets. The Nikkei continued its upward trend, climbing 2.73% to close at 16,862.47 in light of the Bank of Japan's decision to expand stimulus measures. A decline in Macau gaming revenue for October caused Hong Kong casino stock prices to drop, leading to the Hang Seng index falling 0.29% to close at 70.31.

Key Indicators

| EQUITIES BENCHMARK INDICES | 4-Nov-14 | DoD change | WoW change | MoM change | Ytd change |
|--|-----------|------------|------------|------------|------------|
| Philippine Stock Exchange Index | 7,222.01 | -1.24% | 2.20% | -0.35% | 22.62% |
| MSCI World USD Index | 1,698.22 | -0.05% | 0.81% | 1.37% | 2.66% |
| MSCI All Country Asia Pacific ex-Japan Total Returns | 398.73 | -0.18% | 1.07% | 2.32% | 6.34% |
| MSCI Europe USD Index | 1,615.24 | -0.37% | -0.68% | -0.95% | -8.02% |
| FTSEurofirst 300 Index | 1,326.59 | -1.03% | 0.72% | -1.53% | 0.94% |
| Dow Jones Industrial Average Index | 17,383.84 | 0.10% | 2.22% | 2.20% | 5.49% |
| Standard & Poor's 500 Index | 2,012.10 | -0.28% | 1.36% | 2.25% | 9.27% |
| YIELDS AND PRICES | 4-Nov-14 | DoD change | WoW change | MoM change | Ytd change |
| 91-Day Philippine Treasury Bill Yield (PDST-F) | 1.5229 | -0.01% | 0.14% | -0.15% | 1.03% |
| 1-Year Philippine Treasury Bill Yield (PDST-F) | 1.9333 | -0.12% | 0.05% | -0.25% | 1.00% |
| ROP2021 (Price) | 107.250 | (0.03) | (0.33) | 1.72 | 3.63 |
| ROP2034 (Price) | 131.671 | (0.05) | (0.27) | 5.29 | 12.11 |
| 3-Month US Treasury Yield | 0.0203 | 0.02% | 0.01% | 0.02% | -0.04% |
| 2-year US Treasury Yield | 0.5116 | 0.00% | 0.12% | -0.05% | 0.12% |
| 10-year US Treasury Yield | 2.3335 | -0.01% | 0.04% | -0.10% | -0.67% |
| 30-year US Treasury Yield | 3.0478 | -0.02% | -0.02% | -0.08% | -0.89% |
| 3-Month German Treasury Bill Yield | -0.126 | 0.01% | 0.00% | -0.03% | -0.19% |
| Dubai Crude Oil Spot (\$/bbl) | 80.83 | -2.91% | -3.69% | -12.29% | -25.63% |
| 1-month Nymex oil futures (\$/bbl) | 77.19 | -2.02% | -5.20% | -13.98% | -23.06% |
| Gold Spot (\$/oz) | 1,168.35 | 0.24% | -4.90% | -1.93% | -3.71% |
| USD/PHP (PDEX close) | 44.915 | 0.02 | 0.14 | 0.16 | 0.52 |

Source: Bloomberg

Asian Equity Markets

| Asia Pacific Markets | | | | | |
|-----------------------------------|----------------------------|-----------|------------|----------|--|
| Last Trade as of November 4, 2014 | | | | | |
| Country | Index | Value | DoD Change | % Change | |
| Asia Pacific | MSCI AC Asia Pacific Index | 142.18 | + 1.85 | + 1.32 | |
| Australia | S&P/ASX 200 Index | 5,519.92 | + 13.04 | + 0.24 | |
| China | Shanghai SE Comp Index | 2,430.68 | + 0.64 | + 0.03 | |
| Hong Kong | Hang Seng Index | 23,845.66 | - 70.31 | - 0.29 | |
| India | SENSEX | 27,860.38 | 0.00 | 0.00 | |
| Indonesia | Jakarta Composite Index | 5,070.94 | - 14.57 | - 0.29 | |
| Japan | Nikkei 225 | 16,862.47 | + 448.71 | + 2.73 | |
| Malaysia | KLCI | 1,847.36 | - 5.98 | - 0.32 | |
| New Zealand | NZX 50 Index | 5,423.26 | + 5.04 | + 0.09 | |
| Singapore | Straits Times Index | 3,281.57 | - 9.27 | - 0.28 | |
| South Korea | KOSPI | 1,935.19 | - 17.78 | - 0.91 | |
| Taiwan | TWSE | 8,989.18 | - 15.68 | - 0.17 | |
| Thailand | SET Index | 1,585.15 | + 5.97 | + 0.38 | |

Local Bond Market

| Peso Interest Rates (PDEX PDST-R2) | | | | | | | |
|------------------------------------|----------|----------|------------|---------|----------|----------|------------|
| | 4-Nov-14 | 3-Nov-14 | Difference | | 4-Nov-14 | 3-Nov-14 | Difference |
| 1 month | 1.5767 | 1.3019 | + 0.275 | 4 year | 2.8510 | 2.8510 | 0.000 |
| 3 month | 1.2185 | 1.3800 | - 0.162 | 5 year | 3.3000 | 3.3000 | 0.000 |
| 6 month | 1.6250 | 1.6250 | 0.000 | 7 year | 3.7750 | 3.8000 | - 0.025 |
| 1 year | 1.6850 | 1.8250 | - 0.140 | 10 year | 3.9290 | 3.9513 | - 0.022 |
| 2 year | 2.3000 | 2.3000 | 0.000 | 20 year | 4.7500 | 4.4609 | + 0.289 |
| 3 year | 2.4397 | 2.4225 | + 0.017 | 25 year | 4.7924 | 4.8202 | - 0.028 |

Upcoming Economic Releases

| Date | Philippines | Period Covered | Date | US | Period Covered |
|------------|---|----------------|------------|--|----------------|
| 11/5/2014 | Philippines CPI All items YoY% 2006=100 | Oct | 11/5/2014 | Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth | Oct 31 |
| 11/5/2014 | Philippines CPI All items MoM% 2006=100 | Oct | 11/5/2014 | ADP National Employment Report SA Private Nonfarm Level Change | Oct |
| 11/5/2014 | Philippines Core Inflation YoY 2006=100 | Oct | 11/6/2014 | US Initial Jobless Claims SA | Nov 1 |
| 11/7/2014 | Philippines Gross Intl Reserves | Oct | 11/7/2014 | US Employees on Nonfarm Payrolls Total MoM Net Change SA | Oct |
| 11/11/2014 | Philippines External Trade Exports YoY | Sep | 11/7/2014 | U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted | Oct |
| 11/11/2014 | Philippines External Trade Exports | Sep | 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