

## Local

November 6, 2014

- The local equities market continued to shed points as investors further sold index heavyweight Philippine Long Distance Telephone Co (Ticker: TEL) off. The PSEi forfeited 13.20 points, or 0.18%, to close at 7,208.81. Sector indices ended mixed, with financials (+1.36%) leading the gainers and services (-2.23%) leading the losers. Market breadth was only slightly negative, with 87 declines outnumber 86 advances, while 54 issues remained unchanged. Total value turnover reached Php9.08 billion. Foreign investors were net buyers at Php0.04 billion.
- Phoenix Semiconductor Philippines Corp, the local arm of one of South Korea-based Samsung's suppliers, pegged its final initial public offer price at P3.15 per share. The company is selling roughly 459 million shares and will have a market capitalization of P6.82 billion after the offering. The offer period will run from November 10 to November 21, and the shares will be listed on the PSE on December 1. Proceeds from the offer will be used to fund the company's expansion programs.
- The Bangko Sentral ng Pilipinas (BSP) may require listed banks to have more of their shares in public hands. The increase in public float from the existing 10 percent minimum is aimed at broadening "the ownership base" of listed banks, a move that could improve the operations of the institutions. Based on regulatory filings, most listed universal banks have a public float ranging from 21 to 61 percent, well above the 10 percent minimum requirement. Just like the BSP, the Securities and Exchange Commission (SEC) is contemplating on increasing the minimum public float requirement for all listed companies to as much as 20 percent.
- On the local fixed income market, prices of government securities declined after the CPI print came out at 4.3%, higher than consensus survey of 4.2%. Yields went up across the curve with the highest movement in the belly at 15.9 bps, followed by the short-end and long-end of the curve at 0.7 bps and 0.6 bps, respectively.
- The peso depreciated again, almost ending above the 45-level, after the Republicans captured control of the Senate from the Democrats in the US mid-term elections. The USD/PHP currency pair lost 5.5 centavos, to close at 44.970.

## US and Europe

- US Equities rallied on the back of the Republican Party taking full control of Congress following the conclusion of the midterm elections, an encouraging ADP payroll report, and a bounce in oil prices, which coupled with strong manufacturing report on Monday set the stage for an expected robust US employment report on Friday. The S&P 500 increased 11.47 points, or 0.6%, to close at 2,023.57, while the Dow Jones Industrial Average climbed 100.69 points, or 0.6%, to close at 17,484.53.
- Reports from the Automatic Data Processing Inc. (ADP) and forecasting firm Moody's Analytics showed that US companies added 230,000 jobs in October. This figure came in higher than expected by the market at 220,000 additional jobs. According to the national employment report released by ADP, firms employing between one and 49 workers added 102,000 employees. Meanwhile, medium-size businesses increased payrolls to 122,000. On the other hand, large firms hired 5,000 workers. Service-sector payrolls and manufacturing sectors both added 181,000 and 15,000 jobs respectively. Meanwhile, construction payrolls increased by 28,000 employees—which is a large hiring gain for that sector.
- Private sector activity in the Eurozone grew at a lower rate than expected in October. Markit reported a PMI composite of 52.1 in the Eurozone for October, slightly higher than the 52.0 registered in September but lower than the estimated 52.2. Services PMI in the Eurozone for October was at 52.3, lower than the 52.4 expected for the month.
- US Treasuries slumped on Wednesday ahead of the non-farm payrolls report for October backed by the view that the US economy is on a firm footing. The two-year note yield crept up 0.8 basis points to 0.52%, while the 10-year bond yield rose 0.7 basis points to 2.34%.
- European stocks closed sharply higher buoyed by largely positive corporate results and just as investors viewed the mid-term election results in the US as positive for the US economy. The FTSEurofirst 300 index rose 22.40 points, or 1.7%, to close at 1,348.99.
- The US Dollar gained 0.52% day-on-day against the Euro in light of investor confidence in the dollar following the Republican sweep in the US midterm elections. The US Dollar shed 0.0065 to close at 1.2489.

## Asia Pacific

- Asian stocks ended mostly in the red as country-specific factors and profit taking in certain local markets offset the positive effects of the US midterm elections on equities. Japanese stock prices rose for a fifth consecutive trading session, with the Nikkei climbing 0.44% to close at 16,937.32. The Indian Sensex was up 0.2% to close at 27,915.88, reaching an all-time high due to hopes of a decrease in interest rates by the central bank. Meanwhile, both the Hang Seng Index and the Shanghai Composite Index were down, closing at 23,695.62 and 2,419.25, respectively, due to the slowdown in China's services activity in October as reported by HSBC.

## Key Indicators

EQUITIES BENCHMARK INDICES	5-Nov-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,208.81	-0.18%	1.63%	-0.53%	22.39%
MSCI World USD Index	1,706.51	0.49%	1.20%	1.59%	3.16%
MSCI All Country Asia Pacific ex-Japan Total Returns	395.33	-0.85%	-1.04%	1.18%	5.43%
MSCI Europe USD Index	1,631.43	1.00%	0.01%	-0.65%	-7.10%
FTSEurofirst 300 Index	1,348.99	1.69%	2.25%	-0.09%	2.64%
Dow Jones Industrial Average Index	17,484.53	0.58%	3.01%	2.90%	6.11%
Standard & Poor's 500 Index	2,023.57	0.57%	2.08%	2.99%	9.89%
YIELDS AND PRICES	5-Nov-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.5271	0.00%	0.10%	-0.15%	1.04%
1-Year Philippine Treasury Bill Yield (PDST-F)	1.9521	0.02%	0.08%	-0.23%	1.02%
ROP2021 (Price)	107.192	(0.06)	(0.38)	1.63	3.57
ROP2034 (Price)	131.669	(0.00)	(0.41)	5.23	12.11
3-Month US Treasury Yield	0.0203	0.00%	0.01%	0.02%	-0.04%
2-year US Treasury Yield	0.5217	0.01%	0.04%	-0.01%	0.13%
10-year US Treasury Yield	2.3424	0.01%	0.02%	-0.08%	-0.66%
30-year US Treasury Yield	3.0590	0.01%	0.01%	-0.07%	-0.88%
3-Month German Treasury Bill Yield	-0.121	0.01%	0.01%	-0.02%	-0.18%
Dubai Crude Oil Spot (\$/bbl)	79.33	-1.86%	-6.23%	-13.92%	-27.01%
1-month Nymex oil futures (\$/bbl)	78.68	1.93%	-4.28%	-12.91%	-21.57%
Gold Spot (\$/oz)	1,140.65	-2.37%	-5.89%	-5.52%	-5.99%
USD/PHP (PDEX close)	44.970	0.05	0.25	0.22	0.57

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets				
Last Trade as of November 5, 2014				
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pacific Index	140.98	- 1.20	- 0.84
Australia	S&P/ASX 200 Index	5,517.88	- 2.05	- 0.04
China	Shanghai SE Comp Index	2,419.25	- 11.42	- 0.47
Hong Kong	Hang Seng Index	23,695.62	- 150.04	- 0.63
India	SENSEX	27,915.88	+ 55.50	+ 0.20
Indonesia	Jakarta Composite Index	5,066.83	- 4.11	- 0.08
Japan	Nikkei 225	16,937.32	+ 74.85	+ 0.44
Malaysia	KLCI	1,839.29	- 8.07	- 0.44
New Zealand	NZX 50 Index	5,402.15	- 21.10	- 0.39
Singapore	Straits Times Index	3,287.66	+ 6.09	+ 0.19
South Korea	KOSPI	1,931.43	- 3.76	- 0.19
Taiwan	TWSE	8,962.60	- 26.58	- 0.30
Thailand	SET Index	1,577.40	- 7.75	- 0.49

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	5-Nov-14	4-Nov-14	Difference		5-Nov-14	4-Nov-14	Difference
1 month	1.5179	1.5767	- 0.059	4 year	2.8750	2.8510	+ 0.024
3 month	1.2250	1.2185	+ 0.007	5 year	3.7750	3.3000	+ 0.475
6 month	1.7105	1.6250	+ 0.086	7 year	3.7750	3.7750	0.000
1 year	1.6807	1.6850	- 0.004	10 year	3.9508	3.9290	+ 0.022
2 year	2.5637	2.3000	+ 0.264	20 year	4.7500	4.7500	0.000
3 year	2.4708	2.4397	+ 0.031	25 year	4.7878	4.7924	- 0.005

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
11/7/2014	Philippines Gross Intl Reserves	Oct	11/6/2014	US Initial Jobless Claims SA	Nov 1
11/11/2014	Philippines External Trade Exports YoY	Sep	11/7/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Oct
11/11/2014	Philippines External Trade Exports	Sep	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	US Treasury Federal Budget Debt Summary Deficit Or Surplus NSA	Oct
			11/14/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Oct

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