

Local

November 7, 2014

- The local equities market slightly closed higher as inflows in the property sector compensated for investor sell-off of Philippine Long Distance Telephone Co (Ticker: TEL). The PSEi gained 27.82 points, or 0.39%, to close at 7,236.63. Sector indices mostly ended higher, with property companies (+1.80%) leading the gainers and services (-0.73%) being the only loser. Declines slightly outnumber advances at 88 versus 90, while 46 issues remained unchanged. Total value turnover was at Php4.36 billion. Foreign investors were net buyers at Php0.05 billion.
- Pilipinas Shell Petroleum Corp reportedly awarded the engineering and design contract for its proposed offshore liquefied natural gas (LNG) storage project in Batangas province. The proposed facility can supply 2,000MW of power capacity, with an option to upsize this supply capacity to 5,000MW. However, Edgar O. Chua, the company's chairman, stated that the government must come up with a clear energy mix policy that ensure that LNG plants will dispatch to the grid. Presently, it is more expensive to produce power via LNG than via other fuel sources like coal.
- According to the Department of Finance, consolidated general government debt stood at Php4.5 trillion or 37.3 percent of GDP, six percentage point better than the 44.3 percent in 2009 and the lowest level recorded since the Philippines adopted the measurement in 1998. Efforts to improve tax administration and expenditure management have helped ease the Philippines' tight fiscal situation and pare down high debt levels.
- On the local fixed income market, prices of government securities increased as investors took the opportunity to bargain hunt after the CPI print (4.3%) came out slightly higher than consensus (mkt est.: 4.2%) yesterday. Yields went down -1.44 points cross the curve with the largest movement in the short-end of the curve at -6.1 basis points followed by the belly of the curve slumping -2.1 basis points. Meanwhile, prices of long-term governments securities declined as investors positioned themselves ahead of the US non-farm payrolls figure.
- The peso slightly depreciated against the US dollar as investors await the release of US non-farm payroll report and following news that the Republicans captured control of the Senate in the US mid-term elections and upbeat jobs data. The USD/PHP currency pair lost 3 centavos, to close at 45.00.

US and Europe

- US equities continued to rally from positive employment data and as European Central Bank (ECB) President Mario Draghi took a dovish stand, implying that quantitative easing measures were an option. The S&P 500 tacked on 7.64 points, or 0.4%, to close at 2,031.21, while the Dow Jones Industrial Average rose 69.94 points, or 0.4%, to close at 17,554.47.
- Reports from the US Department of Labor showed that new claims for unemployment benefits fell to its second lowest level for the year. Initial jobless claims for the week ended November 1 amounted to 278,000, lower than both the previous week's 288,000 and the estimated 285,000. The four-week moving average fell to 279,000, the lowest level since 2000. Continuing claims for unemployment benefits also fell to 2.35 million, lower than both the previous week's 2.39 million and the forecasted 2.36 million.
- ECB President Mario Draghi re-affirmed the readiness and ability of the ECB to take further steps to spur economic activity in the Eurozone that would stimulate growth and boost inflation. Draghi said that the ECB expects to bring the size of its balance sheet to €3 trillion. Moreover, Draghi moved to remove doubts about his ability to secure the necessary support from other members of the governing council for additional measures. The ECB left its main rate at 0.05% and deposit rate at -0.20%. The comments from Draghi came almost a week after the Bank of Japan unexpectedly increased its monetary stimulus to ward off deflation.
- US Treasuries continued to fall as jobless claims and productivity data releases were better than expected. The two-year note yield rose 2.8 basis points to 0.55%, while the 10-year bond yield is up 4.3 basis points to 2.39%.
- European stocks reversed morning losses to close modestly higher after the European Central Bank (ECB) President Mario Draghi hinted that outright quantitative easing measures remains an option. The FTSEurofirst 300 index was able to add 2.54 points, or 0.2%, and close slightly higher at 1,351.53.
- The US Dollar gained 0.60% day-on-day against the Euro in light of positive economic data releases for the US. The US Dollar rose 0.0075 to close at 1.2414.

Asia Pacific

- Asian markets ended mixed yesterday, primarily on country-specific developments. Japan's Nikkei (-0.9%) fell as investors took profits from a five-day rally prompted by the Bank of Japan's move to further easy policy and shift its large government pension fund into equity positions. The Shanghai Composite (+0.27%) rose slightly as investors looked for bargains in media and construction companies. The Hang Seng lost ground for the fourth straight day after disappointing earnings from Lenovo.

Key Indicators

| EQUITIES BENCHMARK INDICES | 6-Nov-14 | DoD change | WoW change | MoM change | Ytd change |
|--|-----------|------------|------------|------------|------------|
| Philippine Stock Exchange Index | 7,236.63 | 0.39% | 0.92% | -0.14% | 22.87% |
| MSCI World USD Index | 1,707.53 | 0.06% | 1.08% | 1.65% | 3.23% |
| MSCI All Country Asia Pacific ex-Japan Total Returns | 394.63 | -0.18% | -0.95% | 1.01% | 5.25% |
| MSCI Europe USD Index | 1,628.60 | -0.17% | 0.36% | -0.82% | -7.26% |
| FTSEurofirst 300 Index | 1,351.53 | 0.19% | 1.80% | 0.10% | 2.83% |
| Dow Jones Industrial Average Index | 17,554.47 | 0.40% | 2.09% | 3.31% | 6.53% |
| Standard & Poor's 500 Index | 2,031.21 | 0.38% | 1.83% | 3.38% | 10.31% |
| YIELDS AND PRICES | 6-Nov-14 | DoD change | WoW change | MoM change | Ytd change |
| 91-Day Philippine Treasury Bill Yield (PDST-F) | 1.5333 | 0.01% | 0.11% | -0.14% | 1.04% |
| 1-Year Philippine Treasury Bill Yield (PDST-F) | 1.9458 | -0.01% | 0.07% | -0.24% | 1.01% |
| ROP2021 (Price) | 107.058 | (0.13) | (0.17) | 1.50 | 3.44 |
| ROP2034 (Price) | 131.491 | (0.18) | 0.06 | 5.06 | 11.93 |
| 3-Month US Treasury Yield | 0.0203 | 0.00% | 0.02% | 0.02% | -0.04% |
| 2-year US Treasury Yield | 0.5497 | 0.03% | 0.08% | 0.02% | 0.16% |
| 10-year US Treasury Yield | 2.3856 | 0.04% | 0.08% | -0.03% | -0.61% |
| 30-year US Treasury Yield | 3.1030 | 0.04% | 0.06% | -0.02% | -0.83% |
| 3-Month German Treasury Bill Yield | -0.121 | 0.00% | 0.02% | -0.02% | -0.18% |
| Dubai Crude Oil Spot (\$/bbl) | 80.23 | 1.13% | -5.60% | -12.94% | -26.18% |
| 1-month Nymex oil futures (\$/bbl) | 77.91 | -0.98% | -3.96% | -13.76% | -22.34% |
| Gold Spot (\$/oz) | 1,141.85 | 0.11% | -4.75% | -5.42% | -5.89% |
| USD/PHP (PDEX close) | 45.000 | 0.03 | 0.10 | 0.25 | 0.60 |

Source: Bloomberg

Asian Equity Markets

| Asia Pacific Markets | | | | |
|-----------------------------------|----------------------------|-----------|------------|----------|
| Last Trade as of November 6, 2014 | | | | |
| Country | Index | Value | DoD Change | % Change |
| Asia Pacific | MSCI AC Asia Pacific Index | 140.11 | - 0.87 | - 0.62 |
| Australia | S&P/ASX 200 Index | 5,506.11 | - 11.77 | - 0.21 |
| China | Shanghai SE Comp Index | 2,425.86 | + 6.61 | + 0.27 |
| Hong Kong | Hang Seng Index | 23,649.31 | - 46.31 | - 0.20 |
| India | SENSEX | 27,915.88 | 0.00 | 0.00 |
| Indonesia | Jakarta Composite Index | 5,034.23 | - 32.60 | - 0.64 |
| Japan | Nikkei 225 | 16,792.48 | - 144.84 | - 0.86 |
| Malaysia | KLCI | 1,831.98 | - 7.31 | - 0.40 |
| New Zealand | NZX 50 Index | 5,403.61 | + 1.46 | + 0.03 |
| Singapore | Straits Times Index | 3,290.96 | + 3.30 | + 0.10 |
| South Korea | KOSPI | 1,936.48 | + 5.05 | + 0.26 |
| Taiwan | TWSE | 8,891.02 | - 71.58 | - 0.80 |
| Thailand | SET Index | 1,580.77 | + 3.37 | + 0.21 |

Local Bond Market

| Peso Interest Rates (PDEX PDST-R2) | | | | | | | |
|------------------------------------|----------|----------|------------|---------|----------|----------|------------|
| | 6-Nov-14 | 5-Nov-14 | Difference | | 6-Nov-14 | 5-Nov-14 | Difference |
| 1 month | 1.1888 | 1.5179 | - 0.329 | 4 year | 2.8807 | 2.8750 | + 0.006 |
| 3 month | 1.2995 | 1.2250 | + 0.075 | 5 year | 3.7750 | 3.7750 | 0.000 |
| 6 month | 1.6500 | 1.7105 | - 0.061 | 7 year | 3.7750 | 3.7750 | 0.000 |
| 1 year | 1.7500 | 1.6807 | + 0.069 | 10 year | 3.9636 | 3.9508 | + 0.013 |
| 2 year | 2.4250 | 2.5637 | - 0.139 | 20 year | 4.9498 | 4.7500 | + 0.200 |
| 3 year | 2.4979 | 2.4708 | + 0.027 | 25 year | 4.7537 | 4.7878 | - 0.034 |

Upcoming Economic Releases

| Date | Philippines | Period Covered | Date | US | Period Covered |
|------------|--|----------------|------------|--|----------------|
| 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 | 11/7/2014 | US Employees on Nonfarm Payrolls Manufacturing Industry Monthly Net Change SA | Oct |
| | | | 11/12/2014 | Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth | Nov 7 |
| | | | 11/12/2014 | Merchant Wholesalers Inventories Total Monthly % Change | Sep |
| | | | 11/13/2014 | US Initial Jobless Claims SA | Nov 1 |
| | | | 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 |
| | | | 11/14/2014 | US Import Price Index by End Use All MoM NSA | 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