

Local

November 10, 2014

- The local equities market lost ground last Friday as investors awaited the MSCI's rebalancing and weak corporate earnings results. The PSEi retreated 30.91 points, or -0.43% to close at 7,205.72. All sectors ended in the red led by financials (-1.01%), holding firms (-0.35%) and services (-0.29%). Market breadth was negative with 121 declines outnumbering 57 advances, while 51 names were unchanged. Total value turnover reached Php9.46 billion. Foreign investors were net sellers at Php410 million.
- The Department of Transportation and Communications (DOTC) has pushed the deadline for qualification documents of the LRT-2 operation and maintenance contract back by one month. The new deadline has been rescheduled to December 15, with the notice of award to be handed down in June on July 2015. The winning bidder will assume operational control of all 11 stations of the LRT-2 and the 4.19-km Masinag Extension, whose construction is scheduled to begin in January. The DOTC identified six companies that bought bid documents, among whom are San Miguel Corp (SMC), GT Capital Holdings Inc (GTCAP), and DMCI.
- The Philippines is set to hold investment roadshows in Australia this month to stir support for the major infrastructure projects being undertaken by the Aquino administration under the Public-Private Partnership (PPP) program. The PPP Center headed by executive director Cosette Canilao are set to lead investment fora scheduled in Melbourne on November 25 and in Sydney on November 27. This is part of the government's efforts to encourage more foreign players to invest in the country's PPPs. The government is set to present a robust pipeline of over 50 projects with estimated value of over US\$20 billion under the PPP program.
- On the local fixed income market, prices of government securities declined last Friday as market players sold-off local assets after US initial jobless claims fell more than expected. Yields across the curve climbed by 1.96 basis points led by short-tenored bonds, which rose by 7.7 basis points.
- The Philippine peso slightly weakened against the greenback last Friday on continued strengthening of the US dollar following improvements in the US labor market. The USD/PHP currency pair depreciated by 3 centavos to end the week at 45.03.

US and Europe

- US equities closed marginally higher on Friday as investors digested the implications of the recent labor market data releases—specifically after non-farm payrolls data fell short of market expectations and as the unemployment figure declined to a six-year low. The S&P 500 crept up 0.71 of a point to close at 2,031.92, while the Dow Jones Industrial Average tacked on 19.46 points to close at 17,573.93.
- Reports from the US Labor Department showed that the US labor market is well on its way to recovering—with unemployment rate falling to 5.8% and non-farm payrolls gaining 214,000. While the non-farm payrolls fell short of market expectations of 231,000 additional jobs, it is important to note that this is the ninth consecutive month where the economy has added at least 200,000 jobs—the longest stretch since 1994.
- Reports from the Federal Reserve show that American consumers took on less debt than expected in September. Outstanding credit rose USD15.9 billion, slightly lower than the expected USD16.0 billion. This brought total outstanding consumer credit to USD3.27 trillion, equivalent to a seasonally adjusted annual rate of 5.9%. Credit card debt grew 2% month-on-month to USD881.8 billion, while outstanding non-revolving credit rose 7.3% month-on-month to USD2.39 trillion.
- US Treasuries rose on Friday after US jobs and wages data disappointed market expectations, rekindling expectations that the Federal Reserve will not raise policy rates until late next year. The two-year note yield fell 5.1 basis points to 0.50%, while the 10-year bond yield fell 8.8 basis points to 2.30%.
- European equities extended declines on Friday following a lukewarm US non-farm payrolls report and as investors continue to digest the European Central Bank's plans to excessively expand its balance sheet. The FTSEurofirst 300 Index shed 6.79 points, or 0.5%, to close at 1,344.74.
- The US Dollar slightly depreciated 0.06% day-on-day against the Euro as investors took into consideration the lower than expected non-farm payroll data. The US Dollar rose 0.0007 to close at 1.2421.

Asia Pacific

- Asian equities ended mixed in Friday's session, as positive sentiment from the European Central Bank's dovish statement and the Chinese Central bank's confirmation that it had pumped \$125.91 billion worth of three-month loans into the financial system wore off due to country-specific factors. Japan's Nikkei climbed 0.5% on Friday, supported by the Japanese yen but gains were trimmed by profit-taking. The Shanghai Composite closed slightly lower at 0.3% despite news that the Chinese central bank is pumping more liquidity into the market. Meanwhile, the Hong Kong's Hang Seng index slipped 0.4% in very volatile trading session on the back of mixed corporate earnings results.

Key Indicators

EQUITIES BENCHMARK INDICES	7-Nov-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,205.72	-0.43%	-0.14%	-0.46%	22.34%
MSCI World USD Index	1,707.01	-0.03%	-0.06%	2.75%	3.19%
MSCI All Country Asia Pacific ex-Japan Total Returns	394.67	0.01%	-1.77%	0.68%	5.26%
MSCI Europe USD Index	1,617.72	-0.67%	-1.37%	-0.47%	-7.88%
FTSEurofirst 300 Index	1,344.74	-0.50%	-0.53%	1.13%	2.32%
Dow Jones Industrial Average Index	17,573.93	0.11%	1.05%	5.11%	6.65%
Standard & Poor's 500 Index	2,031.92	0.03%	0.69%	5.00%	10.35%
YIELDS AND PRICES	7-Nov-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.5333	0.00%	0.10%	-0.14%	1.04%
1-Year Philippine Treasury Bill Yield (PDST-F)	1.9667	0.02%	0.08%	-0.21%	1.03%
ROP2021 (Price)	106.897	(0.16)	(0.24)	1.14	3.27
ROP2034 (Price)	131.049	(0.44)	(0.19)	4.28	11.49
3-Month US Treasury Yield	0.0203	0.00%	0.02%	0.02%	-0.04%
2-year US Treasury Yield	0.4985	-0.05%	0.01%	-0.01%	0.11%
10-year US Treasury Yield	2.2976	-0.09%	-0.04%	-0.04%	-0.70%
30-year US Treasury Yield	3.0280	-0.08%	-0.04%	-0.02%	-0.91%
3-Month German Treasury Bill Yield	-0.122	-0.00%	0.02%	-0.04%	-0.19%
Dubai Crude Oil Spot (\$/bbl)	79.60	-0.79%	-4.37%	-12.56%	-26.76%
1-month Nymex oil futures (\$/bbl)	78.65	0.95%	-2.35%	-11.48%	-21.60%
Gold Spot (\$/oz)	1,177.98	3.16%	0.38%	-2.56%	-2.92%
USD/PHP (PDEX close)	45.030	0.03	0.15	0.40	0.63

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of November 7, 2014					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	140.20	+ 0.09	+ 0.06	
Australia	S&P/ASX 200 Index	5,549.13	+ 43.02	+ 0.78	
China	Shanghai SE Comp Index	2,418.17	- 7.69	- 0.32	
Hong Kong	Hang Seng Index	23,550.24	- 99.07	- 0.42	
India	SENSEX	27,868.63	- 47.25	- 0.17	
Indonesia	Jakarta Composite Index	4,987.42	- 46.81	- 0.93	
Japan	Nikkei 225	16,880.38	+ 87.90	+ 0.52	
Malaysia	KLCI	1,824.19	- 7.79	- 0.43	
New Zealand	NZX 50 Index	5,418.99	+ 15.38	+ 0.28	
Singapore	Straits Times Index	3,286.39	- 4.57	- 0.14	
South Korea	KOSPI	1,939.87	+ 3.39	+ 0.18	
Taiwan	TWSE	8,912.62	+ 21.60	+ 0.24	
Thailand	SET Index	1,578.37	- 2.40	- 0.15	

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	7-Nov-14	6-Nov-14	Difference		7-Nov-14	6-Nov-14	Difference
1 month	1.5000	1.1888	+ 0.311	4 year	2.8731	2.8807	- 0.008
3 month	1.2746	1.2995	- 0.025	5 year	3.7750	3.7750	0.000
6 month	1.6492	1.6500	- 0.001	7 year	3.7750	3.7750	0.000
1 year	1.7723	1.7500	+ 0.022	10 year	3.9601	3.9636	- 0.004
2 year	2.4250	2.4250	0.000	20 year	5.0000	4.9498	+ 0.050
3 year	2.4004	2.4979	- 0.098	25 year	4.7397	4.7537	- 0.014

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
11/11/2014	Philippines External Trade Exports YoY	Sep	11/12/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Nov 7
11/11/2014	Philippines External Trade Exports	Sep	11/13/2014	US Initial Jobless Claims SA	Nov 8
11/19/2014	Philippines BOP	Oct	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
			11/17/2014	US Empire State Manufacturing Survey General Business Conditions SA	Nov
			11/17/2014	US Industrial Production MoM 2007=100 SA	Oct
			11/19/2014	US New Privately Owned Housing Units Started by Structure Total SAAR	Oct
			11/20/2014	US CPI Urban Consumers MoM SA	Oct
			11/20/2014	US Existing Homes Sales SAAR	Oct
			11/20/2014	Conference Board US Leading Index MoM	Oct

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