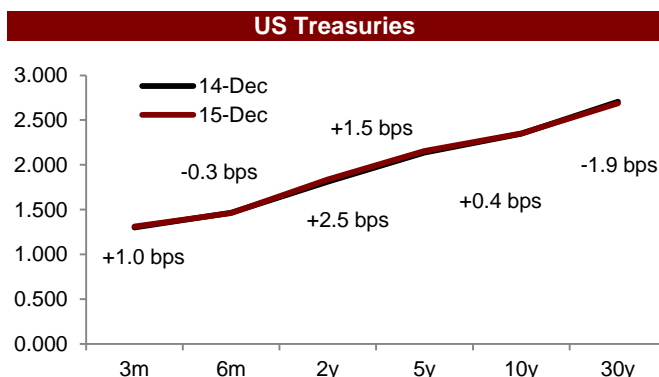
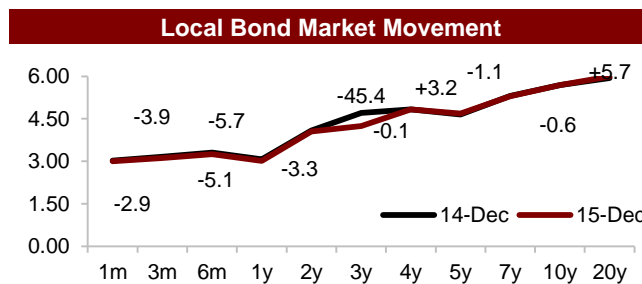
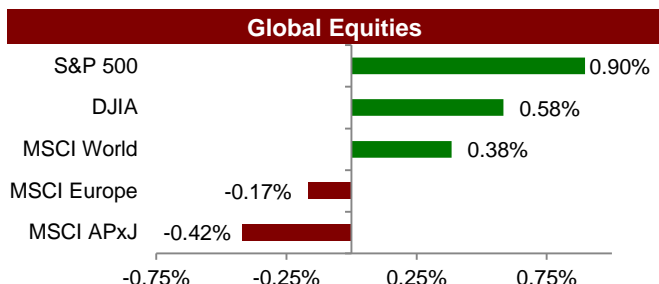
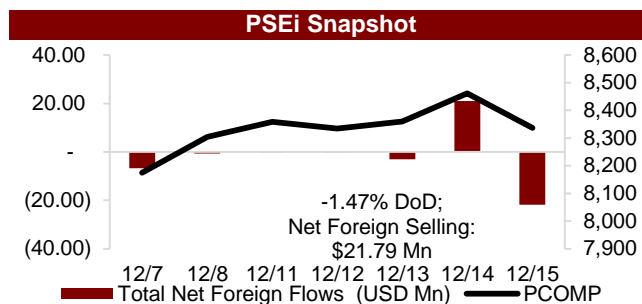


Global equities were mixed amid developments in the US tax bill. Moreover, the increase in US Treasury yields and the strengthening of the greenback were also partly attributed to the tax bill.

- ✓ **Local stocks** ended lower, driven by profit-taking from the locals and relatively heavy net foreign selling, as elevated valuations gave reason for caution. The PSEi closed at 8,337.04 (-1.47% DoD).
- ✓ In **local fixed income markets**, the yields were flat with a slight downward bias as investors participated in some bargain hunting. Volumes were low as few catalysts were anticipated. The belly fell, in particular, on sentiment that sharp interest rate hike expectations in the may have been overdone. On average, yields fell 5.38 bps, led by the belly of the curve, which lost 9.33 bps.

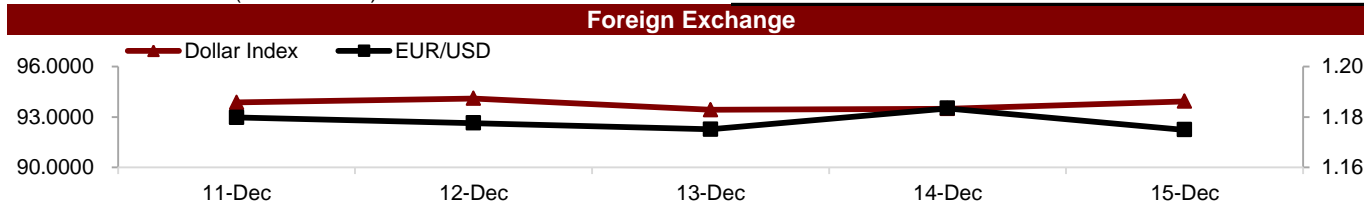


- ✓ **US equities** closed at records as updates on Trump's tax reform continued to influence the market. The best performing sector was information technology (+1.24%) while the energy sector (-0.03%) performed the worst. The DJIA closed at 24,651.74 (+0.58% DoD) while the S&P 500 waned at 2,675.81 (+0.90% DoD).
- ✓ **European stocks** were down for the third straight day as worries on the US tax reform resurface. Retail and bank shares were the worst performers of the day with H&M declining by 13%. The MSCI Europe Index closed at 131.14 (-0.17% DoD).
- ✓ **Asian stocks** continued to weaken despite the gains of South Korea's stocks as investor sentiment was hit by worries on the US tax reform. Hong Kong stocks were the biggest losers with the Hang Seng Index down by 1.09%. The MSCI APxJ Index closed at 553.90 (-0.42% DoD).
- ✓ **US Treasury yields** rose as prospects of tax overhaul coupled with expectations of three rate hikes in 2018 dampened outlook for fixed income securities. On average, yields rose 0.54 bps with the 10-year rising 0.37 bps to 2.3530%.

- ✓ The **Philippine peso** marginally strengthened against the US dollar as the Fed maintained its stance on fiscal policy, as its dot plot guidance for 2018 remained unchanged. Adding to this, Trump's political clout in the US Senate weakened after the results of the Alabama special elections, which may hinder his ability to pass legislation. The USD/PHP ended at 50.445 (-0.05% DoD).
- ✓ The **US dollar** strengthened amid news and expectations that the US tax bill will be passed by year-end. The DXY closed at 93.932 (+0.47% DoD).

Foreign Exchange

USD/PHP	Previous Close	50.470
	Close	50.445
EUR/USD	Previous Close	1.1834
	Indicative Rate	1.1788



Key Indicators

YIELDS AND PRICES	15-Dec-17	DoD	WoW	MoM	YTD
91-Day Philippine Treasury Bill Yield (PDST-R2)	3.12	-0.04%	-0.04%	0.44%	0.45%
1-Year Philippine Treasury Bill Yield (PDST-R2)	3.02	-0.06%	-0.11%	0.04%	0.65%
ROP2021 (Price)	104.93	(0.09)	(0.10)	(0.10)	(3.43)
ROP2034 (Price)	133.78	(0.06)	0.11	0.69	3.31
3-Month US Treasury Yield	1.31	0.01%	0.04%	0.07%	1.15%
3-Month German Treasury Bill Yield	(0.86)	-0.01%	0.10%	-0.09%	-0.35%
Dubai Crude Oil Spot (\$/bbl)	61.03	1.73%	1.43%	2.36%	89.95%
Gold Spot (\$/oz)	1,255.45	0.20%	0.56%	-1.77%	18.28%

Upcoming Economic Releases

Philippines

Date	Event	Period	Prior
12/19/2017	BoP Overall	Nov	-\$368m
12/29/2017	Bank Lending YoY	Nov	18.0%

Developed Markets

Date	Country	Event	Period	Prior
12/21/2017	US	Initial Jobless Claims	Dec	225k
12/19/2017	Germany	IFO Business Climate	Dec	117.5
12/19/2017	Japan	Machine Tool Orders	Nov	46.9%

Emerging Markets

Date	Country	Event	Period	Prior
12/20/2017	Malaysia	CPI YoY	Nov	3.7%
12/20/2017	Thailand	BoT Benchmark Interest Rate	Dec	1.5%
12/31/2017	China	Manufacturing PMI	Dec	51.8

Sources: BPI, Reuters, Bloomberg, PSE, CNN, MarketWatch, The Wall Street Journal, CNBC, Business World

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