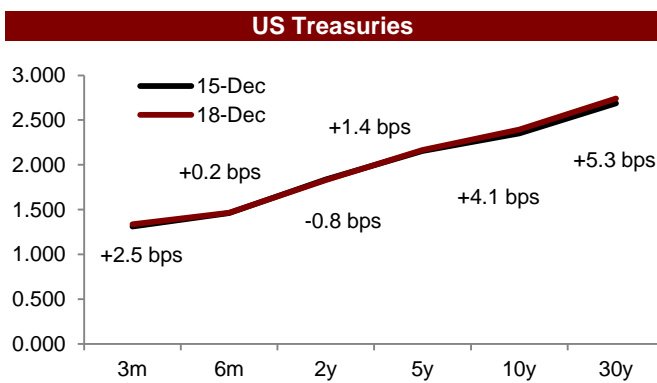
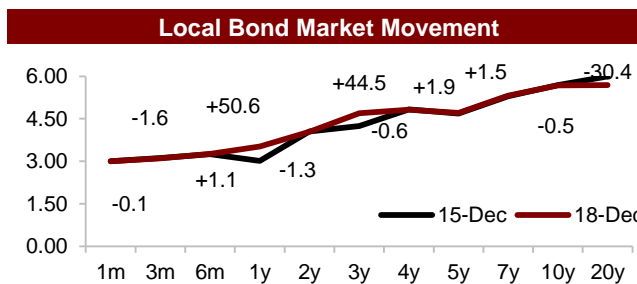
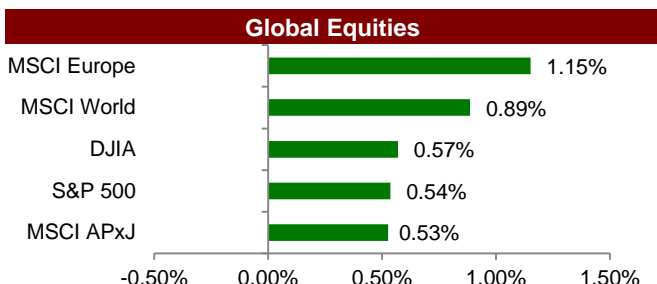
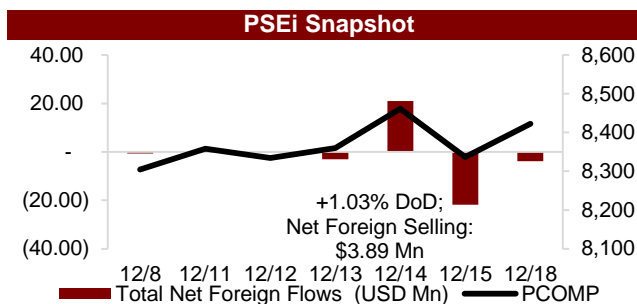


Global equities and US Treasury yields rose boosted by improved investor confidence due to the positive developments in the U.S. tax reform. Meanwhile, the greenback weakened as investors took caution amid uncertainties on the impact of tax reform on the dollar.

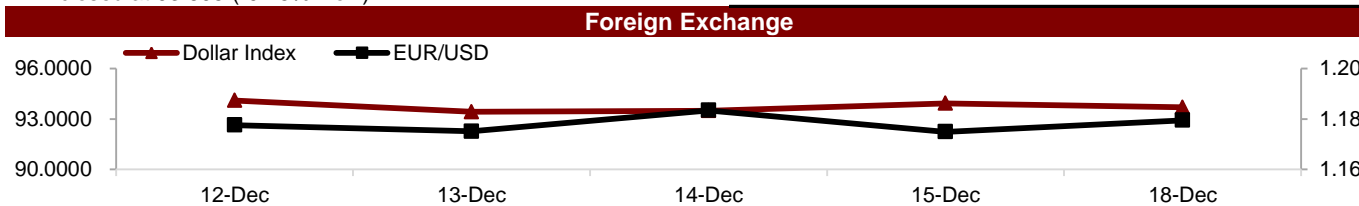
- ✓ **Local stocks** ended higher, reversing last Friday's sell-off due to net foreign selling. Equities continue to be range-bound, due to the lack of new catalysts. The PSEi closed at 8,422.82 (+1.03% DoD).
- ✓ In **local fixed income markets**, yields were flat with a slight upward bias, with low volumes driven by few catalysts. The yield curve flattened with the short end rising as tax reform moves closer to completion. On average, yields rose 5.91 bps, led by the short end of the curve, which rose 12.49 bps.



- ✓ **US equities** ended at records once again. The rally was mainly driven by investor confidence after Treasury Secretary Steven Mnuchin assured market players that the tax bill would be passed before the year ends. The DJIA closed at 24,792.20 (+0.57% DoD) while the S&P 500 walt at 2,690.16 (+0.54% DoD).
- ✓ **European stocks** rose after three days of decline as fears that Republicans would struggle to pass the U.S. tax reform eased. Banks led the gainers as the tax bill is expected to provide a boon for the financial sector. The MSCI Europe closed at 132.65 (+1.15% DoD).
- ✓ **Asian stocks** closed mostly higher tracking leads from the U.S. as optimism on the tax reform strengthened. Republicans unveiled their tax plan on Friday when two holdout GOP senators expressed support for the bill after compromises were made. The MSCI APxJ index closed at 556.82 (+0.53% DoD).
- ✓ **US Treasury yields** rose as investors moved to risky assets in anticipation of the tax bill signing this week. Consequently, fixed income securities were sold-off. On average, yields rose 2.14 bps with the 10-year rising 4.12 bps to 2.3942%.

- ✓ The **Philippine peso** was flat against the US dollar as the Fed maintained its stance on fiscal policy, with 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 50.480 (+0.07% DoD).
- ✓ The **US dollar** weakened as some investors remain wary of the impact of tax reform on the greenback. The DXY closed at 93.695 (-0.25% DoD).

| Pair | Previous Close | Close | Indicative Rate |
|---------|----------------|--------|-----------------|
| USD/PHP | 50.445 | 50.480 | |
| EUR/USD | 1.1749 | 1.1784 | |



Key Indicators

| YIELDS AND PRICES | 18-Dec-17 | DoD | WoW | MoM | YTD |
|---|-----------|--------|--------|--------|--------|
| 91-Day Philippine Treasury Bill Yield (PDST-R2) | 3.10 | -0.02% | -0.06% | 0.88% | 0.44% |
| 1-Year Philippine Treasury Bill Yield (PDST-R2) | 3.52 | 0.51% | 0.38% | 0.53% | 1.15% |
| ROP2021 (Price) | 105.00 | 0.07 | 0.05 | 0.00 | (3.36) |
| ROP2034 (Price) | 133.85 | 0.07 | 0.14 | 0.64 | 3.38 |
| 3-Month US Treasury Yield | 1.34 | 0.03% | 0.05% | 0.08% | 1.17% |
| 3-Month German Treasury Bill Yield | (0.90) | -0.04% | 0.04% | -0.09% | -0.39% |
| Dubai Crude Oil Spot (\$/bbl) | 61.29 | 0.43% | 0.54% | 3.41% | 90.76% |
| Gold Spot (\$/oz) | 1,262.40 | 0.55% | 1.65% | -2.46% | 18.94% |

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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