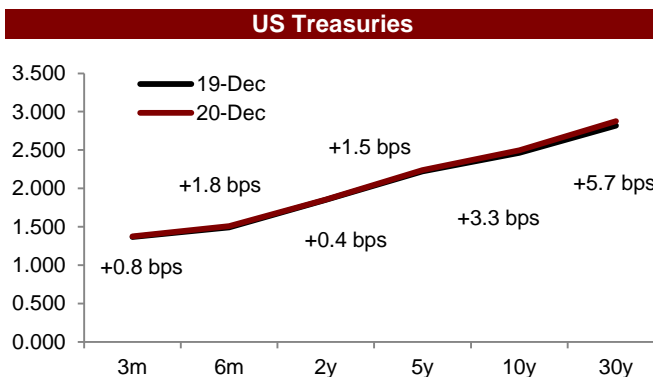
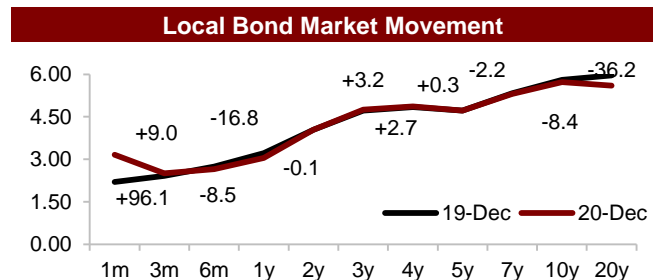
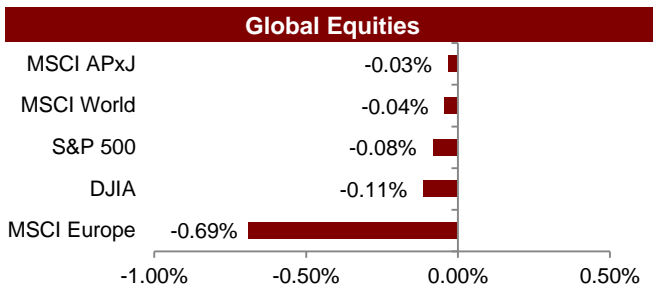
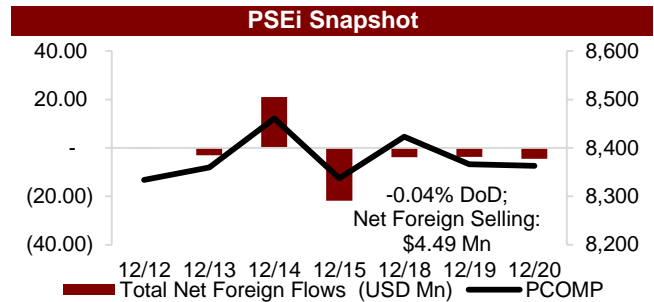


Global equities, US Treasuries, and the greenback weakened amid lack of catalyst as year-end nears and as reactions to US tax reform wane.

- ✓ **Local stocks** ended flat as the year draws to a close, with the passage of the tax reform program the last major expected catalyst before the year-end. The PSEi closed at 8,362.61 (-0.04% DoD).
- ✓ In **local fixed income markets**, the yield curve rose, led by the short end of the curve, as investors took profits after elevated prices yesterday. The passage of the tax reform program may have contributed to pressure in the short end as inflation is expected to spike. Yields rose 3.55 bps on average, with the short end of the curve rising 19.95 bps.

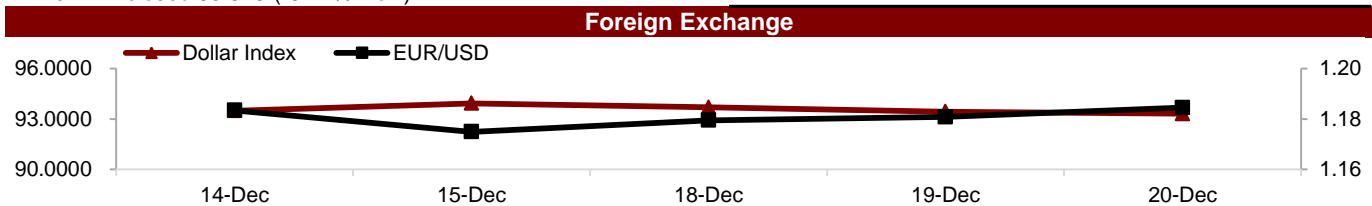


- ✓ **US equities** marginally fell as investors await the President's signature on the US tax bill. The fuss over tax reform had lifted markets in the last few sessions, leading to little movement now that passage of the tax bill is more or less certain. The DJIA closed at 24,726.65 (-0.11% DoD) while the S&P 500 was at 2,679.25 (-0.08% DoD).
- ✓ **European stocks** declined for the second straight day as preholiday selling kicks in. Traders booked profits after market gains were realized early in the week on the back of positive developments on US tax reform. The MSCI Europe index closed at 131.15 (+0.69% DoD).
- ✓ **Asian stocks** ended flat amid a lack of catalysts as year-end draws near. Many equity benchmarks did not move much despite the noise generated by Bitcoin as the cryptocurrency took center stage in the day's trading. The MSCI APxJ index closed at 558.44 (-0.03% DoD).
- ✓ **US Treasury yields** continued to rise, breaching 2.50% at one point during the session. This comes after news that Congress passed the US tax bill and forwarded it to President Trump for signature. On average, yields rose 2.25 bps with the 10-year rising 3.26 bps to 2.4970%.

- ✓ The **Philippine peso** strengthened as the US dollar fell on news that the passage of the US tax reform program by Congress may have to be redone, in light of certain provisions that were apparently in violation of Senate rules. The USD/PHP lost 0.20% DoD, closing at 50.290.
- ✓ The **US dollar** softened further despite existing home sales (+5.6% in Nov) jumping to an 11-year high. Most market players remain focused on the progress of the tax bill, with some analysts skeptic of the boost tax overhaul will bring to the US economy. The DXY closed 93.313 (-0.14% DoD).

Foreign Exchange

| | | |
|---------|-----------------|--------|
| USD/PHP | Previous Close | 50.390 |
| | Close | 50.290 |
| EUR/USD | Previous Close | 1.1808 |
| | Indicative Rate | 1.1849 |



Key Indicators

| YIELDS AND PRICES | 20-Dec-17 | DoD | WoW | MoM | YTD |
|-------------------------------------------------|-----------|--------|--------|--------|--------|
| 91-Day Philippine Treasury Bill Yield (PDST-R2) | 2.50 | 0.09% | -0.01% | 0.29% | -0.16% |
| 1-Year Philippine Treasury Bill Yield (PDST-R2) | 3.05 | -0.17% | 0.01% | -0.23% | 0.68% |
| ROP2021 (Price) | 104.90 | (0.10) | (0.05) | (0.29) | (3.46) |
| ROP2034 (Price) | 133.80 | (0.08) | 0.13 | 0.14 | 3.33 |
| 3-Month US Treasury Yield | 1.37 | 0.01% | 0.08% | 0.12% | 1.21% |
| 3-Month German Treasury Bill Yield | (0.91) | -0.05% | -0.04% | -0.11% | -0.39% |
| Dubai Crude Oil Spot (\$/bbl) | 61.30 | 0.43% | -0.05% | 1.76% | 90.79% |
| Gold Spot (\$/oz) | 1,265.57 | 0.30% | 0.79% | -0.88% | 19.23% |

Upcoming Economic Releases

Philippines

| Date | Event | Period | Prior |
|------------|--------------------|--------|--------|
| 12/22/2017 | Budget Balance PHP | Nov | -21.8b |
| 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 |
| 12/29/2017 | Germany | CPI YoY | Dec | 1.8% |
| 12/26/2017 | Japan | Jobless Rate | Nov | 2.8% |

Emerging Markets

| Date | Country | Event | Period | Prior |
|------------|----------|--------------------|--------|----------|
| 12/22/2017 | Malaysia | Foreign Reserves | Dec | \$101.9b |
| 12/21/2017 | Thailand | Customs Export YoY | Nov | 13.1% |
| 12/31/2017 | China | Manufacturing PMI | Dec | 51.8 |

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

www.bpiassetmanagement.com



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| | | |
|-----------|-------------|--------|
| 131.15 | MSCI Europe | 132.06 |
| 24,726.65 | DJIA | |
| 2,679.25 | S&P 500 | |
| 2,095.44 | MSCI World | |
| 558.44 | MSCI APxJ | 558.63 |

| | | |
|---------|----------|-----|
| 1.8567 | 0.42 bps | 2y |
| 2.4970 | 3.26 bps | 10y |
| Average | 2.25 | |

| | |
|---------|--------|
| | -0.20% |
| 0.84688 | |
| 0.84395 | 0.35% |
| -0.35% | |

| | | | | |
|--------|--------|----------|----------|--------|
| | | 11.06.17 | 94.757 | |
| | | -0.19% | 11.03.17 | 94.941 |
| -0.14% | 93.313 | DX | Y | |

