

Local

- The local equities market declined due to profit-taking. The PSEi decreased by 63.10 points, or -0.82%, closing at 7,650.22. All sectors were red, led by the financials (-1.02%) and properties (-1.09%). Market breadth was negative with 85 advances in comparison to 103 declines, while 46 issues remained unchanged. Total value turnover reached Php7.04 billion.
- According to a survey conducted by the Bangko Sentral ng Pilipinas (BSP), banks generally kept their credit standards unchanged during the third quarter. Although 93.1% of the lenders said that they used the same standards in extending loans, the diffusion index suggested that there was in fact a tightening. This was attributed to the deterioration in the profitability of bank portfolios, a less favorable economic outlook, perceived stricter financial system regulations, banks' reduced tolerance for risk, and deterioration of borrowers' profiles.
- Aboitiz Equity Ventures, Inc. (PSE ticker: AEV) earmarks over Php50 billion for its capital expenditure in 2017, broadly the same as the capex plan for this year. Bulk of this budget will be spent on the power generation business as there are a number of power plants that are currently under construction including the coal-fired plants in Pagbilao and in Cebu, as well as hydroelectric plants in Benguet and Bukidnon. The rest of the budget will be used for the acquisition of properties by AboitizLand, Inc. outside of Metro Manila.
- In the local fixed income space, prices of government securities rose as investors were wary of further decline in oil prices and potential effects of political rhetoric. Yields decreased by an average of 1.12 bps, led by the short-end curve which declined by 12.7 bps. Meanwhile, the belly, and long-end of the curve increased by 7.3 and 0.3 bps.
- The Peso weakened against the US Dollar due to increased expectations of an interest rate hike for the month of December on the back of stronger residential data. The USD / PHP pair rose by 23 centavos or 0.48%, closing at 48.33.

US and Europe

- US stocks fell due to the mixed earnings results adding to the uncertainty brought by the upcoming elections and Fed rate decision. The Dow Jones Industrial Average lost 16.64 points, or -0.09%, to 18,145.71 while the S&P 500 was flat, giving up 0.18 points, or -0.01%, to 2,141.16.
- The Conference Board Leading Economic Index for the US rose 0.2% during September to 124.4, in-line with market expectations, and better than the negative reading in August. The main drivers for the positive print were housing permits, unemployment insurance claims, and the interest spread.
- The Philadelphia Fed Manufacturing Business Outlook Survey for the month of October suggested that regional manufacturing conditions improved. Indicators for general activity, new orders, and shipments were all in the positive territory. However, the overall labor market conditions continued to disappoint. Firms are relatively more positive and anticipate continued growth for manufacturing in the next six months.
- US Treasuries rose with the yield curve flattening as Mario Draghi's statement regarding the continuation of its bond-buying program pulled yields on the long-end to record lows. The two-year note yield rose by 0.44 bps to 0.823% level while the 10-year bond yield lost 2.09 bps to 1.735%.
- European markets marginally rose last Friday despite concerns surrounding the hard Brexit scenario due as an accommodative monetary stance supported price levels. The FTSE 100 (United Kingdom) and CAC 40 (France) fell by 6.43 pts and 4.05 pts, respectively while DAX (Germany) rose by 9.34 pts. The FTSEurofirst 300 Index rose by 0.03%, closing at 1,359.03.
- The US dollar traded flat with a slight downward bias relative to the Euro despite supportive statements from the ECB on maintaining the current monetary policies due to uncertainty surrounding US legislative races. The EUR/USD pair fell by 0.09 cents (-0.84%) to close at the 1.0883 level.

Asia Pacific

- Asian markets were mixed but net negative last Friday as the MSCI AC Asia Pacific Index lost 0.34%, to close at 139.71. In Korea, banks rose on the back of stronger earnings while energies were up in line with oil's bounce. However, investor sentiment remained neutral to negative as earnings likely to disappoint. On the other hand, Indonesia went up 0.10% on another rate cut for the year as banks expected to gain on lower cost of deposits.

Key Indicators

EQUITIES BENCHMARK INDICES					
	21-Oct-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,650.22	-0.82%	3.53%	-0.33%	10.04%
MSCI World USD Index	1,701.16	-0.17%	0.44%	-1.19%	2.31%
MSCI All Country Asia Pacific ex-Japan Total Returns	395.16	-0.09%	1.08%	0.26%	12.33%
MSCI Europe USD Index	1,441.72	-0.52%	0.08%	-1.57%	-5.32%
FTSEurofirst 300 Index	1,359.03	0.03%	1.30%	0.87%	-5.46%
Dow Jones Industrial Average Index	18,145.71	-0.09%	0.04%	-0.81%	4.14%
Standard & Poor's 500 Index	2,141.16	-0.01%	0.38%	-1.02%	4.76%
YIELDS AND PRICES					
	21-Oct-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	1.6339	0.42%	0.12%	0.20%	-1.03%
1-Year Philippine Treasury Bill Yield (PDST-R2)	1.6368	-0.10%	-0.14%	-0.51%	-0.73%
ROP2021 (Price)	108.420	0.04	0.16	(0.23)	0.06
ROP2034 (Price)	140.770	(0.16)	(0.45)	(3.78)	10.30
3-Month US Treasury Yield	0.3247	-0.01%	0.04%	0.12%	0.16%
2-year US Treasury Yield	0.8234	0.00%	-0.01%	0.05%	-0.22%
10-year US Treasury Yield	1.7347	-0.02%	-0.06%	0.08%	-0.53%
30-year US Treasury Yield	2.4846	-0.02%	-0.07%	0.11%	-0.53%
3-Month German Treasury Bill Yield	-0.852	0.01%	0.00%	-0.11%	-0.31%
Dubai Crude Oil Spot (\$/bbl)	48.02	-0.68%	-3.83%	9.99%	49.46%
1-month Nymex oil futures (\$/bbl)	50.85	0.83%	0.99%	12.15%	37.28%
Gold Spot (\$/oz)	1,266.28	0.04%	1.19%	-5.05%	19.30%
USD/PHP (PDEX close)	48.330	0.23	(0.11)	0.44	1.27

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets				
Last Trade as of		October 21, 2016		
Country	Index	Value	DoD Change	% Change
Asia Pacific	MSCI AC Asia Pacific Index	139.71	-	0.47 -
Australia	S&P/ASX 200 Index	5,430.32	-	11.83 -
China	Shanghai SE Comp Index	3,090.94	+	6.48 +
Hong Kong	Hang Seng Index	23,374.40	-	0.00 -
India	SENSEX	28,077.18	-	52.66 -
Indonesia	Jakarta Composite Index	5,409.24	+	5.55 +
Japan	Nikkei 225	17,184.59	-	50.91 -
Malaysia	KLCI	1,669.98	+	2.80 +
New Zealand	NZX 50 Index	6,958.40	-	15.38 -
Singapore	Straits Times Index	2,831.06	-	11.56 -
South Korea	KOSPI	2,033.00	-	7.60 -
Taiwan	TWSE	9,306.57	-	10.67 -
Thailand	SET Index	1,500.37	+	7.64 +

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	21-Oct-16	20-Oct-16	Difference		21-Oct-16	20-Oct-16	Difference	
1 month	1.5946	2.3509	-	0.756	4 year	3.1231	3.1082	+ 0.015
3 month	1.6339	1.2151	+	0.419	5 year	3.9375	3.9321	+ 0.005
6 month	1.4241	1.5000	-	0.076	7 year	4.1571	3.8496	+ 0.308
1 year	1.6368	1.7333	-	0.096	10 year	3.8922	3.8634	+ 0.029
2 year	2.4579	2.4745	-	0.017	20 year	4.7964	4.8161	- 0.020
3 year	3.7054	3.6500	+	0.055				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
10/28/2016	Philippines Commercial Banks Loans Outstanding Total Gross YoY	Sep	10/25/2016	Conference Board Consumer Confidence SA 1985=100	Oct
10/28/2016	Philippines Commercial Banks Loan Outstanding Total Net YoY	Sep	10/26/2016	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Oct 21
11/3/2016	Philippines CPI All items YoY% 2006=100	Oct	10/27/2016	US Initial Jobless Claims SA	Oct 22
11/3/2016	Philippines CPI All items MoM% 2006=100	Oct	10/27/2016	US Durable Goods New Orders Industries MoM SA	Sep P
11/3/2016	Philippines Core Inflation YoY 2006=100	Oct	10/28/2016	GDP US Chained 2009 Dollars QoQ SAAR	3Q A
			10/28/2016	University of Michigan Consumer Sentiment Index	Oct F
			11/1/2016	ISM Manufacturing PMI SA	Oct
			11/2/2016	Federal Funds Target Rate - Upper Bound	Nov 2
			11/4/2016	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Oct
			11/4/2016	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Oct

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones, The Wall Street Journal, CNBC