

Daily Matters

February 7, 2014

MARKET INDICATORS

As of February 6, 2014

Index/ Bond	Index Level/Yield	DoD Change	DoD % Change
PSEi	5,914.59	6.18	0.10%
Dow Jones	15,628.53	188.30	1.22%
S&P 500	1,773.43	21.79	1.24%
NASDAQ	4,057.12	45.57	1.14%
MSCI Asia ex-Japan	513.52	4.27	0.84%
MSCI Emerging Market	929.80	13.24	1.44%
5 Yr FXTN	3.36	10 bps	
10 Yr US Treasury	2.70	3 bps	
USD/PHP	45.18	-0.15	-0.32%

Source: Bloomberg

NEWS IN THE PHILIPPINES

BSP Keeps Key Rates; Substantial Capital Outflow Recorded, A Reversal of Last Year's Net Inflow

- The Bangko Sentral ng Pilipinas (BSP) held its benchmark interest rate at 3.50% for a 10th straight meeting to boost economic activity despite, registering the highest level of inflation since December 2011 for the month of January. The decision by the Monetary Board was expected by most market players. The BSP's targeted range of inflation is still between 3-5%, and its year-end inflation forecast has been revised to 4.3% from 4.5%.
- According to BSP Governor Amando Tetangco Jr., the substantial capital outflows seen as of the third week of January was likely an overreaction of investors to the US Federal Reserve's tapering. Latest data from the BSP revealed a net outflow of US\$813.50 million as of January 17 this year, a reversal of the US\$976.38 million net inflow recorded in the same period last year. However, Mr. Tetangco stated that these flows were possibly part of the global portfolio rebalancing and that sell-offs should be temporary. He further asserted that the country's strong fundamentals should serve to temper the capital flight that has plagued most emerging markets.

Local Bond Market

- The yield of the benchmark 5-year bond gained 10 bps to close at 3.36%.
- Prices of local government securities fell slightly yesterday as market players remained cautious ahead of the Monetary Board meeting, concluded in the afternoon. Some investors

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opted to cut their risk by selling some of their medium- and long-tenored holdings. Yields climbed by an average of 5.84 basis points led by the belly and long-end of the curve, which rose 12.6 and 11.4 basis points, respectively. Meanwhile, the short-end of the curve dropped by 6.8 basis points.

Philippine Stocks

- The local equities market traded slightly higher yesterday amid investor anticipation on the outcome of the BSP monetary board meeting and the lack of any positive developments. The PSEi marginally grew by 6.18 points or +0.10% to close at 5,914.59.

Philippine Peso

- The Philippine peso strengthened against the greenback following the release of weaker-than-expected private sector payrolls data. The currency pair appreciated by 15 centavos to end the day at USD/PHP45.180.

NEWS AROUND THE WORLD

Initial Jobless Claims Dropped; U.S. Trade Deficit Widened in December as U.S. Exports Fell 1.8% MoM; Eurozone Rates Unchanged Despite Deflation Fear

- The number of Americans filing for initial jobless benefits dropped by 20,000 to a seasonally adjusted 331,000, lower than the market estimate of 335,000. However, the less-volatile four-week moving average of claims inched higher to 334,000 from 333,750. Continuing claims likewise increase by 15,000 to 2,964,000 for the week ended January 25.
- US exports dropped 1.8% month-on-month to a seasonally adjusted US\$191.29 billion. On the other hand, imports inched higher by 0.3% to US\$229.99 billion. This caused the US trade deficit to widen to US\$38.7 billion, higher than the market estimate of US\$36.0 billion and November's US\$34.56 billion. The data suggests that trade made a smaller contribution to economic growth in the fourth quarter.
- The European Central Bank (ECB) decided to maintain the refinancing rate unchanged at a record low of 0.25%. Market consensus had been split as to whether or not they would lower rates further in response to low inflation and tighter liquidity in the market. During the conference that followed, ECB President Mario Draghi stated that he was not worried about deflation since this was due to depressed food and energy prices. He likewise stressed that the ECB remained ready to take "decisive action" if needed.

US Stock Market

- U.S. stocks ripped broadly higher, lifted by a timely drop in jobless claims, a dovish ECB and unconfirmed market speculation that tonight's January unemployment rate will print at the Fed target of 6.5% (Mkt est: unchanged at 6.7%). The Dow Jones Industrial Average jumped 188.30 points, or 1.22%, to 15,628.53. The S&P 500 rallied 21.79 points, or 1.24%, to 1,773.43. The Nasdaq bounced 45.57 points, or 1.14%, to 4,057.12.

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Asian Stocks

- Most Asian markets rallied Thursday though gains were limited as investors stayed cautious ahead of the release of a key labor report in the US. The MSCI Asia-Ex Japan Index added 4.27 points or 0.84% to close at 513.52.

Emerging Markets

- Emerging markets gained on Thursday after stronger-than-expected U.S. economic data bolstered investor optimism ahead of Friday's key payroll report, allaying fears of a U.S. economic slowdown that could dampen growth prospects for developing economies. The MSCI Emerging Markets Index rose 1.44% or 13.24 points to close at 929.80.

Sources: Bloomberg, Briefing.com, Business World, CNN, Inquirer, PhilStar, Reuters, WSJ

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