

Daily Matters

June 6, 2014

MARKET INDICATORS

As of June 5, 2014

| Index/ Bond | Index Level/Yield | DoD Change | DoD % Change |
|----------------------|-------------------|------------|--------------|
| PSEi | 6,772.44 | 5.87 | 0.09% |
| Dow Jones | 16,836.11 | 98.58 | 0.59% |
| S&P 500 | 1,940.46 | 12.58 | 0.65% |
| NASDAQ | 4,296.23 | 44.59 | 1.05% |
| MSCI Asia ex-Japan | 572.91 | 0.93 | 0.16% |
| MSCI Emerging Market | 1,034.98 | 3.79 | 0.37% |
| 5 Yr FXTN | 3.30 | 1 bps | |
| 10 Yr US Treasury | 2.58 | -2 bps | |
| USD/PHP | 43.79 | -0.09 | -0.21% |

Source: Bloomberg

NEWS IN THE PHILIPPINES

DBM releases P2 B for out-of-school youth

- The Department of Budget and Management (DBM) has released Php1.97 billion to the Department of Education for its Abot-Alam program. According to the DBM, the program is designed to provide various opportunities for education and possible career and employment for Filipino out-of-school youth. The Abot-Alam program also intends to “reintegrate” the beneficiaries with their respective communities through different services that will be offered by the program’s partners, some of whom will provide non-formal education.

Local Bond Market

- The yield of the benchmark 5-year bond gained only 1 bp to close at 3.30%.
- The yields of bonds mostly increased with 8 gainers, 2 losers and only 1 tenor, namely the 10-year bond, unchanged.

Philippine Stocks

- Philippine share prices lowered during intraday trade as investors immediately reacted to the May inflation data before ending the trading day higher, albeit marginally, on account of investors’ scooping up last-minute stock bargain opportunities. The Philippine Stock Exchange index (PSEi) edged 0.09% higher, or 5.87 points, to close at 6,772.44. 97 stocks

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advanced, 84 declined and 48 others were unchanged.

Philippine Peso

- The Philippine Peso snapped a three-day losing streak against the dollar on Thursday, after the Bangko Sentral ng Pilipinas (BSP) announced that it stands ready to tweak policy should inflationary pressures mount. The local currency closed at P43.79 to the dollar, 9 pips lower than its previous close of P43.88.

NEWS AROUND THE WORLD

ECB Steps Up Stimulus Efforts; U.S Household Wealth Rises; Growth in China Service Sector Eases

- European Central Bank (ECB): In its latest policy meeting, the ECB declared a series of wide-ranging economic measures to boost economic growth in the region, one of which is imposing negative interest rates on its overnight depositors. Other stimulus efforts include long-term refinancing operations, a program of large-scale asset purchases, similar to those being pursued by both the Bank of England and the U.S Federal Reserve, and suspension of the weekly sterilization of liquidity under the Securities Markets Program. More importantly, the President Mario Draghi insisted that the ECB was “not finished here”- implying that further unconventional measures could still be undertaken.
- U.S Federal Reserve: U.S household wealth increased by \$1.49 trillion, or 1.9% from January to March to a record \$81.8 trillion in the first quarter of 2014. The increase was largely facilitated by improvements in the job market, as well as gains in the stock and residential real estate markets. Of the \$1.45 trillion wealth gains in the first quarter, \$361 billion came from high stock prices and \$758 billion from the rising costs of houses and apartments. Economists argue, however, that the effect of the wealth increase is limited, since much of the benefits flows towards wealthy households with stock holdings and large houses.
- The Hongkong and Shanghai Banking Corporation (HSBC): The HSBC China services Purchasing Managers Index (PMI), a private survey, fell to 50.7 in May from 51.4 in April, but remains above 50-point level demarcating a monthly growth in contraction and expansion. Business sentiment weakened as it fell to a one-year low of 58.1. The data contrasted with the stronger PMI Manufacturing reading for May, suggesting that economic growth momentum and private sector sentiment both remained weak.

US Stock Market

- The Dow Jones Industrial Average and S&P 500 clinched fresh record all-time highs, as U.S stocks soared on Thursday. The surge in stock buying came after the European Central Bank (ECB) released stimulus efforts to boost the fragile Eurozone economic growth and avert deflation. (Dow Jones 0.59% 16,836.11; NASDAQ 1.05% 4,296.93; S&P 500 0.65% 1,940.46)

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Asian Stocks

- Asian stocks turned in a rather mixed performance on Thursday, as sluggish growth of China's service sector tempered investor optimism. The MSCI Asia-Ex Japan Index gained 0.93 points or 0.16% to close at 572.91.

Emerging Markets

- Emerging markets stocks rose on Thursday, with finance and telecommunications companies at the helm, following the European Central Bank's (ECB) announcement to cut the deposit rate below zero in order to ward off deflation. The MSCI Emerging Market Index rose 0.37% or 3.70 points to close at 1,034.98.

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

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