

February 1, 2018
LOCAL MARKETS

Local equities continued to decline as the market tracked losses of its regional peers. Moreover, local fixed income yields went down due to the slower money supply growth while the peso strengthened due to the uneventful State of the Union address.

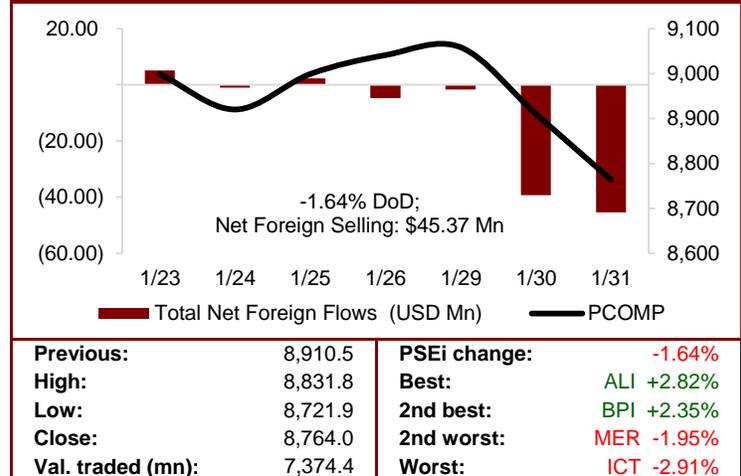
Key Events

- ✓ 1.) **San Miguel Corporation's (PSEi Ticker: SMC)** proposed a fixed-rate bond issue of P30bn, which was given an Aaa rating by Philippine Rating Services Corporation with a stable outlook. The rating was based on SMC's strong market position, experienced management team and sustainable earnings generating capability.
- ✓ 2.) According to Bangko Sentral ng Pilipinas (BSP) Governor Espenilla, a reduction in the current 20% reserve requirement ratio (RRR) is unwarranted given the healthy domestic liquidity conditions. He also stated that additional stimulus is not yet necessary as credit growth remains robust.

Equities

- ✓ **Local equities** continued its weakness, tracking the losses of its regional peers. Foreign selling rose to \$45Mn during today's session. The PSEi ended at 8,764.01 (-1.64% DoD).

PSEi Snapshot



Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.0057	2.6568	4 years	-0.0152	4.4582
3 months	+0.1082	2.3940	5 years	-0.0073	4.7380
6 months	-0.4804	2.5428	7 years	-0.8031	4.9005
1 year	+0.0059	2.8229	10 years	-0.0003	6.2068
2 years	+0.0108	3.9004	20 years	+0.5321	6.4675
3 years	+0.0477	4.1881			

Fixed Income

- ✓ **Local fixed income yields** declined as money supply increased 11.9% YoY in December, slower than November's 14% expansion, coupled with easing in bank lending. On average, the curve went down 5.52 bps, led by the belly which fell 15.34 bps.

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	51.420	51.295	EUR/USD	1.2413
				1.2444

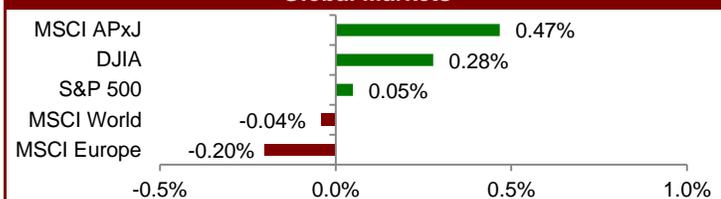
Philippine Peso

- ✓ The **Philippine peso** rose against the weakening greenback, which fell against major currencies on Trump's lack of substance in terms of economic policy at his State of the Union (SONA) address. The USD/PHP pair closed at 51.295 (+0.24% DoD).

OVERSEAS MARKETS

Global equities ended mixed with gains in the US and Asia pared by losses in European markets. Meanwhile, US Treasury yields and the US dollar were flat after the FOMC policy meeting that left rates unchanged.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0127	1.4551	5 years	+0.0085	2.5139
6 months	-0.0078	1.6483	10 years	-0.0149	2.7050
2 years	+0.0163	2.1406	30 years	-0.0358	2.9348

- ✓ **US equities** rose slightly, with the DJIA (+0.28% d/d) pulled upward by the gain of index heavyweight Boeing Co. Meanwhile, the S&P500 was flat (+0.05%), with gains offset by a fall in healthcare stocks (-1.4% d/d). The DJIA ended at 26,149.39, and the S&P500 ended at 2,823.21.
- ✓ **European equities** closed lower as market sentiment is still reeling from the global equities selloff fueled by a rise in bond yields. The MSCI Europe index ended at 133.46 (-0.20% DoD).
- ✓ **Asian stocks** were up as markets felt that President Trump's first State of the Union address was conciliatory. Trump mostly stayed away from surprises and signaled cooperation among party lines. The MSCI APxJ index closed at 607.74 (+0.47% DoD).
- ✓ The **US Treasury yield curve** flattened after the government announced larger increases in the auction sizes of shorter-dated securities than longer-dated ones in 1Q18, to fund the country's rising budget deficit. Yields fell 0.35 bps on average, with 10-year yields down 1.49 bps.
- ✓ The **US dollar** was flat, with markets barely reacting to the FOMC's policy meeting, in which it left rates unchanged. The DXY ended at 89.133 (+0.03% d/d).

The Morning View

February 1, 2018

Key Indicators

YIELDS AND PRICES	31-Jan-18	DoD	WoW	MoM	YTD
91-Day Philippine Treasury Bill Yield (PDST-R2)	2.39	0.11%	0.12%	-0.04%	-0.27%
1-Year Philippine Treasury Bill Yield (PDST-R2)	2.82	0.01%	-0.20%	-0.21%	0.45%
ROP2021 (Price)	103.69	(0.15)	(0.41)	(1.21)	(4.67)
ROP2034 (Price)	132.43	(0.24)	(1.34)	(1.51)	1.96
3-Month US Treasury Yield	1.46	0.01%	0.03%	0.08%	1.29%
3-Month German Treasury Bill Yield	(0.65)	0.07%	0.03%	0.04%	-0.13%
Dubai Crude Oil Spot (\$/bbl)	65.75	-0.60%	-1.51%	3.10%	104.64%
Gold Spot (\$/oz)	1,345.15	0.50%	-0.98%	3.23%	26.73%

Upcoming Economic Releases

Philippines

Date	Event	Period	Prior
2/6/2018	CPI YoY	Jan	3.3%
2/8/2018	BSP Overnight Borrowing Rate	Feb	3.0%

Developed Markets

Date	Country	Event	Period	Prior
2/1/2018	US	Initial Jobless Claims	Jan-27	233k
2/1/2018	EU	Markit France Manufacturing PMI	Jan	58.1
2/2/2018	Japan	Monetary Base YoY	Jan	11.2%

Emerging Markets

Date	Country	Event	Period	Prior
2/1/2018	China	Caixin China PMI Manufacturing	Jan	51.5
2/1/2018	Thailand	CPI YoY	Jan	0.78%
2/7/2018	Malaysia	Exports YoY	Dec	14.4%

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

www.bpiassetmanagement.com



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