

February 5, 2018
LOCAL MARKETS

Local equities rebounded slightly despite net foreign selling as investors picked up bargain finds. Local yields climbed, especially at the long-end, after inflation concerns spooked investors. This led to a strengthening of the PHP against the USD.

Key Events

- ✓ **BDO Unibank, Inc. (PSEi Ticker: BDO)** reported, in its 4Q17 Statement of Condition, a Solo Common Equity Tier 1 Ratio of 12.17% as of 31 December 2017, down from 12.83% in the previous quarter. Similarly, its Solo Capital Adequacy ratio fell from 14.57% to 13.83% during the same period.
- ✓ As reported by BusinessWorld, **The Social Security System (SSS)** is planning to invest overseas to diversify its asset base and raise additional income to fund pension and benefit payments. For comparison, the Government Service Insurance System (GSIS) is already invested overseas. The rebalancing of funds from domestic to international may contribute to downward price pressures in the local stock market.

Equities

- ✓ **Local equities** finally reversed its three-day losing streak as investors picked up large-cap bargains (e.g. SM +0.59%, SMPH +1.23%, ALI +1.10%). The PSEi ended at 8,810.75 (+0.82% DoD).

Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.1143	2.6607	4 years	-0.0532	4.4636
3 months	+0.0368	2.3773	5 years	+0.0318	4.7666
6 months	+0.5282	3.1375	7 years	+0.1467	5.7146
1 year	+0.0472	2.8991	10 years	+0.1343	6.2093
2 years	-0.0965	3.8113	20 years	+0.4553	6.3750
3 years	-0.0059	4.1959			

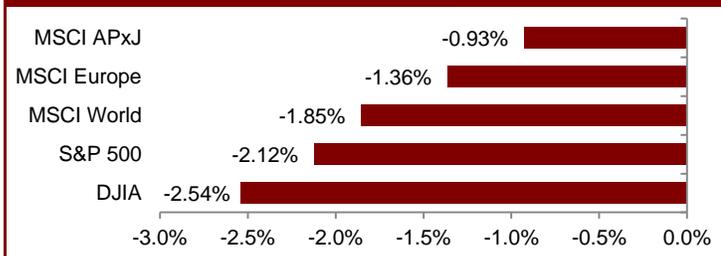
Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	51.580	51.450	EUR/USD	1.2430
				1.2463

OVERSEAS MARKETS

Global equities were down, US Treasury yields rose, and the dollar strengthened due to the release of US economic data that elevated inflation expectations, causing the US 10-year yield to close at a four-year high.

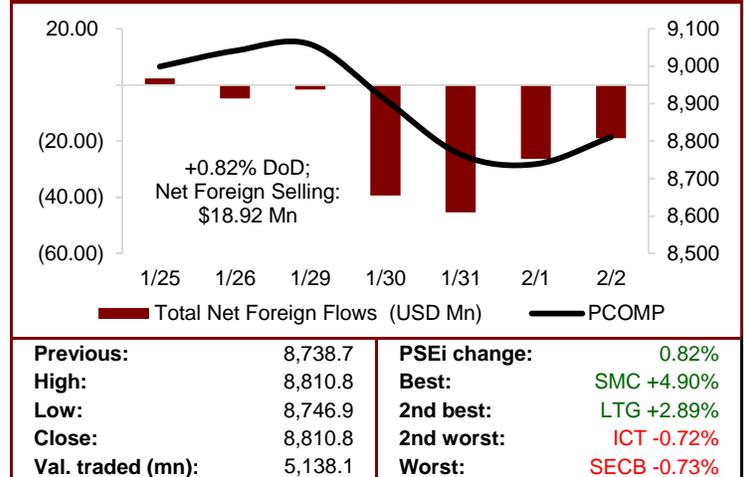
Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0052	1.4728	5 years	+0.0171	2.5883
6 months	-0.0157	1.6274	10 years	+0.0515	2.8411
2 years	-0.0196	2.1413	30 years	+0.0627	3.0868

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income yields** were up on average, with the long-end rising alongside the increase in US yields. This followed investor concerns of rising inflation expectations after statements from both the BSP and the US Fed. On average, yields rose 12.17 bps.

Philippine Peso

- ✓ The **Philippine peso** strengthened as growth in Philippine yields began to catch up with US yields. Continued political risk in the US also led to a weakening of the dollar. The PHP/USD ended at 51.540 (-0.25% DoD).

