

# The Morning View

February 9, 2018

## LOCAL MARKETS

Local equities continued to slide as investors remained cautious ahead of the Monetary Board meeting. The yield curve of local fixed income securities steepened as investors positioned for a hawkish BSP. Philippine peso declined on the back of net foreign outflows.

### Key Events

- ✓ 1.) **Metro Pacific Investments Corporation (PSEi Ticker: MPI)** confirmed in a disclosure to the PSE that they have agreed to engage Changi Airport Consultants Pte. Ltd. to provide technical support in relation to their unsolicited proposals to rehabilitate and expand NAIA.
- ✓ 2.) In line with investor expectations, the overnight reverse repurchase facility rate was kept steady at 3.0% by the **Bangko Sentral ng Pilipinas**. The corresponding interest rates on the overnight lending and deposit facilities were also unchanged. The monetary board highlighted upside risks to inflation arising from possible further increases in global oil prices.

### Equities

- ✓ **Local equities** marginally fell as investors remained cautious ahead of the BSP Monetary Board meeting. Expectations were mixed as some were expecting a reserve requirement cut while some were expecting a rate hike. The PSEi ended at 8,645.1 (-0.26% DoD).

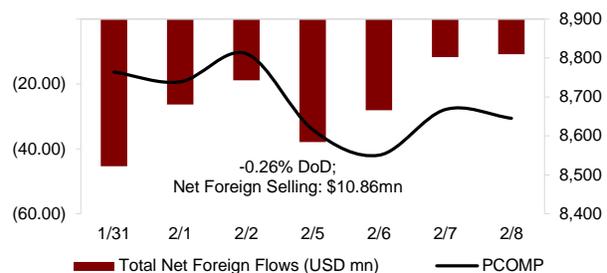
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.1000	2.7946	4 years	-0.0090	4.6759
3 months	+0.0628	2.5465	5 years	+0.0100	4.9149
6 months	-0.5561	2.8246	7 years	+0.1961	6.1679
1 year	-0.3398	3.0927	10 years	+0.1911	6.4361
2 years	-0.0515	3.8942	20 years	+0.0639	6.6318
3 years	+0.2757	4.5800			

### Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	51.120	51.310	EUR/USD	1.2339
				1.2247

### PSEi Snapshot



Previous:	8,667.6	PSEi change:	-0.26%
High:	8,679.4	Best:	LTG +2.22%
Low:	8,601.5	2nd best:	AEV +1.51%
Close:	8,645.1	2nd worst:	GLO -2.14%
Val. traded (mn):	4,099.6	Worst:	URC -2.29%

### Fixed Income

- ✓ **Local fixed income yields** fell on average, but steepened overall, with the short-end falling 18.33 bps and the long-end rising 15.04 bps. This reflected investor sentiment of a possibly hawkish policy from the BSP moving forward. On average, yields fell 0.52 bps.

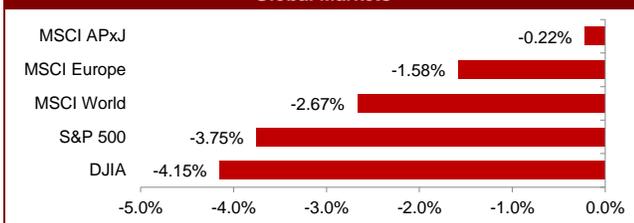
### Philippine Peso

- ✓ The **Philippine peso** continued to weaken as net foreign outflows drove down the currency's value relative to the greenback, despite the weakening of the USD. The PHP/USD ended at 51.310 (+0.37% DoD).

## OVERSEAS MARKETS

Global equities declined as the equities selloff resumed due to concerns over rising interest rates, with the US 10-year yield reaching 2.875% intraday. Meanwhile, the dollar was little changed as initial jobless claims came in-line with expectations.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0026	1.5393	5 years	-0.0185	2.5380
6 months	+0.0025	1.7230	10 years	-0.0119	2.8240
2 years	-0.0201	2.1034	30 years	+0.0154	3.1293

- ✓ **US equities** lost ground, falling into correction territory. Volatility persisted in markets amid concerns over rising interest rates. The DJIA closed at 23,860.46 (-4.15% DoD) while the SPX was at 2,581.00 (-3.75% DoD).

- ✓ **European equities** tumbled as the region tracked losses in Wall Street amid another selloff. Plunging oil prices also weighed down on the region's energy stocks. The MSCI Europe index closed at 126.15 (-1.58% DoD).

- ✓ **Asian stocks** dipped slightly as Shanghai's stock benchmark declined due to China's trade surplus narrowing sharply in January as imports surged. The MSCI APXJ index closed at 564.90 (-0.22% DoD).

- ✓ **US Treasury yields** were relatively flat with the 10-year reaching an intraday high of 2.875% after the Bank of England suggested that interest rates need to rise sooner. On average, yields fell 0.59 bps with the 10-year closing at 2.824% (-1.19 bps DoD).

- ✓ The **US dollar** was flat as initial jobless claims came in-line with consensus estimates at 221,000. The DXY closed at 90.229, down 0.03% day-on-day.

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