

February 20, 2018

LOCAL MARKETS

Local equities rallied on the back of the reserve requirement cut and a reversal in net foreign flows. Meanwhile, the peso fell after the Reserve Requirement Ratio raised liquidity expectations, while local fixed income yields were flat.

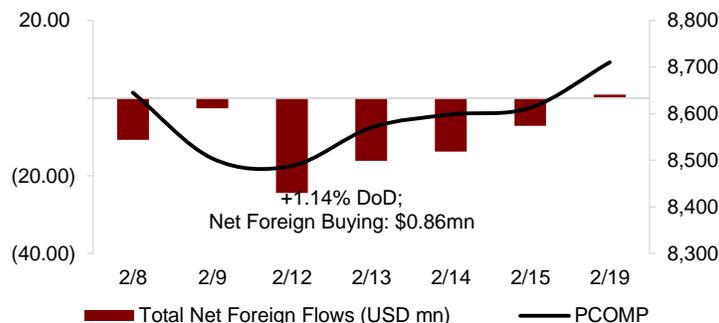
Key Events

- ✓ In a disclosure to the stock exchange, **SM Prime Holdings, Inc.** (PSE ticker: SMPH) announced that it registered a net income of Php 27.6 Bn in 2017 from Php 23.8 Bn in 2016, an increase of 16%. The increase in net income was driven by an increase in consolidated revenues (from Php 80 Bn in 2016 to Php 91 Bn in 2017).
- ✓ According to a media release by the **Bangko Sentral ng Pilipinas (BSP)**, the country's overall balance of payments (BOP) position in January 2018 posted a deficit of \$531 Mn, an increase from the \$9 Mn deficit in the same month last year. Furthermore, gross international reserves as of end-January 2018 is equivalent to 8.2 months worth of imports of goods and payment of services and primary income.

Equities

- ✓ **Local equities** rallied on the back of the reserve requirement cut and a reversal in net foreign flows. Banks were strong performers (e.g. BDO +3.79% DoD, BPI +3.67% DoD, MBT +3.20% DoD). The PSEi ended at 8,710.22 (+1.14% DoD).

PSEi Snapshot



Previous:	8,612.4	PSEi change:	1.14%
High:	8,757.8	Best:	BDO +3.79%
Low:	8,538.2	2nd best:	BPI +3.67%
Close:	8,710.2	2nd worst:	RRHI -0.73%
Val. traded (mn):	4,894.6	Worst:	SECB -1.16%

Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.0196	3.4082	4 years	+0.0174	4.7663
3 months	+0.0224	2.8071	5 years	-0.0117	4.9646
6 months	+0.0343	3.0411	7 years	+0.1104	6.5675
1 year	+0.0215	3.3011	10 years	-0.0121	6.6968
2 years	-0.0455	4.0654	20 years	-0.1388	6.3180
3 years	-0.0138	4.2655			

Fixed Income

- ✓ **Local fixed income yields** were unchanged as the cut to the Reserve Requirement Ratio failed to move the fixed income market significantly post-announcement. The yield curve flattened marginally. On average, however, yields only rose 0.03 bps.

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD	52.000	52.340	EUR/USD	1.2406

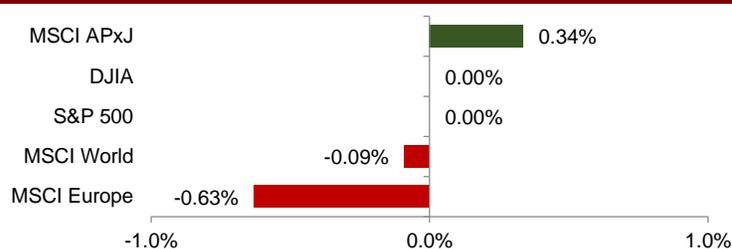
Philippine Peso

- ✓ The **Philippine peso** depreciated once again, driven by expectations of much higher liquidity in the market following the Reserve Rate Requirement cut. The PHP/USD ended at 52.340 (+0.65% DoD).

OVERSEAS MARKETS

Global stocks ended mixed amid thin trading, with US and Chinese markets on holiday. The US market holiday also left US Treasuries and the dollar unchanged.

Global Markets



- ✓ **US equities, US Treasuries, and the dollar** were unchanged, as markets were closed for Presidents' Day.
- ✓ **European equities** declined weighed down by losses of consumer stocks amid a relatively quiet trading day as US and Chinese markets were closed. Reckitt Benckiser Group and Daimler lost 7.51% and 2.54% respectively. The MSCI Europe index closed at 127.48 (-0.63% DoD).
- ✓ **Asian stocks** continued their upward trajectory as confidence in equities creeps back with investors seeing the recent dip as a buying opportunity. The MSCI APxJ index closed at 578.51 (+0.34% DoD).

US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-	1.5901	5 years	-	2.6291
6 months	-	1.8207	10 years	-	2.8749
2 years	-	2.1895	30 years	-	3.1316

