

February 27, 2018

## LOCAL MARKETS

Local equities tracked Asian markets higher, as fears about the quickening pace of US Fed hikes moderated, while the peso strengthened and local fixed income yields rose as rising inflation continues to stoke expectations of BSP policy rate increases.

### Key Events

- ✓ **Philippine Savings Bank (PSE Ticker: PSB)** reported a net income of PHP 2.7b in 2017 from PHP 2.5b in 2016, an increase of 8.3% YoY. The increase in net income was driven by an increase in net interest income and fee-based income by 14.6% and 19.9%, respectively.
- ✓ **Bureau of the Treasury** auction for Treasury Bills that was held yesterday was met with PHP 21.3b in demand but was rejected as banks asked for higher returns following growing expectations of a rate hike from the US Federal Reserve in the near future.

### Equities

- ✓ **Local equities** tracked moves in Asian markets higher after reassurances by the Fed that the slow pace of rate hikes would most likely be maintained boosted sentiment. The PSEi gained 0.38%, closing just shy of 8,500.

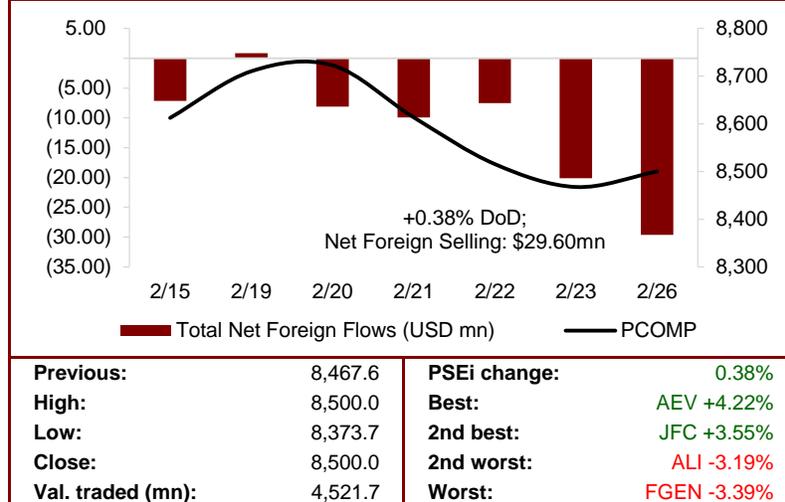
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	-0.0015	3.4164	4 years	-0.0350	5.2686
3 months	+0.0728	2.9740	5 years	+0.0087	5.1455
6 months	-0.0279	3.0250	7 years	+0.0072	6.6304
1 year	+0.4602	3.4882	10 years	-0.0125	6.8429
2 years	+0.2770	4.4622	20 years	-0.1384	6.4244
3 years	-0.0249	4.2754			

### Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	51.890	51.860	EUR/USD	1.2295	1.2295

### PSEi Snapshot



### Fixed Income

- ✓ The **local fixed income yield curve** flattened, with a dip in long-term yields (-4.79 bps) offset by selling in the short end (+12.59 bps) and belly (+5.65 bps). The market may be demanding higher yield as it prices in expectations of a Philippine rate hike in March. On average, yields rose 5.32 bps.

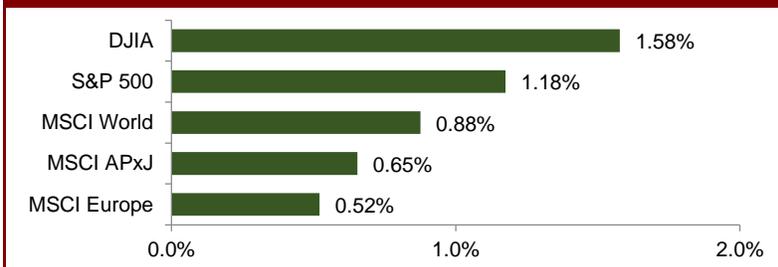
### Philippine Peso

- ✓ The **Philippine peso** posted a slight gain on the back of expectations that BSP rate hikes and the implementation of the tax reform program will improve fund inflows, boosting the currency. The PHP/USD lost 0.06% DoD, ending at 51.860.

## OVERSEAS MARKETS

Global equities sustained their recovery on the back of improving investor confidence as concerns over rising bond yields fades. Meanwhile, US Treasury yields and the dollar slightly declined as investors are in wait-and-see mode ahead of Fed Chairman Powell's speech on Tuesday.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-	1.6387	5 years	-0.0084	2.6099
6 months	-0.0027	1.8413	10 years	-0.0037	2.8623
2 years	-0.0161	2.2219	30 years	-0.0025	3.1530

- ✓ **US equity markets** posted gains for the third straight session in a broad-based rally led by technology shares. Investors are also bracing ahead of Fed Chairman Powell's appearance in Congress. DJIA closed at 25,709.27 (+1.58% DoD), while the S&P 500 was at 2,779.60 (+1.18% DoD).
- ✓ **European equities** started in the green Monday as investors were on risk-on mode following Wall Street's rally late last week. The MSCI Europe index closed at 129.17 (+0.52% DoD).
- ✓ **Asian stocks** continued their upward trajectory on the back of improved investor sentiment after the Fed signaled that volatility in the financial markets will not result to faster interest rate hikes. The MSCI APxJ index closed at 587.29 (+0.65% DoD).
- ✓ **US Treasury yields** were little changed across the curve as the market continued to digest the Fed's meeting minutes and as investors are looking ahead of Fed Chairman Powell's testimony.. Yields fell 0.56 bps on average, with 10YR yields down 0.37 bps to 2.862.
- ✓ The **US dollar** slightly weakened as investors are in wait-and-see mode ahead of Fed Chairman Powell's testimony on Tuesday which will give more clues on his

