

Local

January 8, 2015

- The local equities market posted another day of gain, remaining resilient against Wall Street's downturn the night before as investors continued to be positive on the country's strong economic fundamentals. The PSEi gained 31.96 points, or +0.96%, to close at 7,309.70. All sectoral indices, save the financial sector (-0.57%), posted gains, led by mining and oil (+2.64%), property (+1.23%) and industrials (+1.07%). Market breadth was even with 88 advances, 89 declines and 39 stocks unchanged. Total value turnover was at Php8.43 Foreign investors were net buyers at Php0.08 billion.
- According to data released by the Bangko Sentral ng Pilipinas (BSP), the country's foreign exchange reserves rose to the highest level since August to end 2014 at US\$79.805 billion. This was higher than the end-November level of US\$78.679 billion. The increase was mainly due to the BSP's foreign exchange operations, revaluation adjustments on its gold holdings, income from investments abroad, as well as the National Government's net foreign currency deposits. One the other hand, these were somewhat countryred by payments made by the National Government for its maturing foreign exchange obligations.
- Maynilad Water Services has revised its 2013-2017 capital expenditure plan to just Php67 billion from the original Php78 billion, as part of concessions made to get an arbitration panel to side with it in its water rate disagreements with the Metropolitan Waterworks and Sewerage System (MWSS). The resolution of the dispute will now allow Maynilad to move forward with its alternative business plan, as the lower approved rate was a result of lower expenditures detailed in its alternative business plan.
- On the local fixed income space, trading was uneventful as the effect of profit-taking was offset by sufficient buying interest on the back of expected economic weakness in 4Q'14A and greater leverage on the part of the Treasury to manage its financing costs. This lent enough confidence to investors to more than support local bond prices. Yields across the length of the curve fell, on average, by -8 basis points with the short and long-ends falling -2 and -1 basis points, respectively, and the belly remaining unchanged.
- The Peso declined slightly, in tandem with most Asian currencies, by 11.5 centavos to close trading at 45.045 to the US Dollar. General optimism on sustained economic gains in the US continues to drive the greenback's strength relative to a wide range of major currencies. The Dollar also appeals as a riskless asset in this time of dramatically lower commodity prices and uncertainty over the situation in Greece relative to the Euro-zone.

US and Europe

- US equities rebounded after a five-day decline after encouraging data from the labor market came out. Investors also reacted favorably to the latest FOMC meeting minutes, which implied no rate hike for at least the next couple of months. The S&P500 index climbed 23.29 points, or 1.16%, to 2,025.90 while the Dow Jones Industrial Average index gained 212.88 points to 17,584.52.
- The job market in the US continued to recover with another month of increase. According to the Automatic Data Processing Inc. (ADP), the private sector added 241,000 jobs in December, higher than the 227,000 registered in November and the most since June 2014. The ADP data is a leading indicator before the official nonfarm payrolls is released by the Labor Department. The mentioned department expects December non-farm payrolls to climb 240,000, lower than November's 321,000 added jobs but still considered strong.
- US treasury bonds ended flat after the release of the FOMC meeting minutes. The 2-year note yield dropped 0.0159 basis points to 0.609% while the 10-year bond yield gained 0.0275 basis points to 1.968%.
- European stocks recovered as well after data signaling deflationary pressures was released, increasing the probability of more stimulus measures from the European Central Bank. The FTSEurofirst300 index added 6.73 points, or 0.51%, to 1,330.20.
- The inflation data in the Euro-zone for December came out 0.2% lower than the same month in 2013. The reading was below consensus estimates of 0.1% contraction. It also marked the first time since October 2009 that consumer prices declined on an annual basis.
- The EUR/USD pair fell 0.53% yesterday to close trading at 1.1828 after reaching an intra-day price of 1.1808, a 9-year low. Lingering concerns of deflation and the resulting chaos caused by a possible exit of Greece from the European currency union, coupled with robust, newly released employment and current account data from the US led to yesterday's weakness. Non-agricultural American jobs created in December beat expectations by 15,000 jobs on the heels of November's 9.13% out-performance. The US trade deficit shrunk by US\$3.25 billion to US\$39 billion in November boosting the greenback.

Asia Pacific

- Most Asian markets gained, meanwhile, with the Japanese Nikkei, Hong Kong Hang Seng and Chinese Shanghai Composite indices gaining 2.14 points (+0.01%, day-on-day), 195.85 points (+0.83%, day-on-day) and 22.51 points (+0.67%, day-on-day), respectively, on bargain hunting in Japan, and sectoral outperformance in telecom and technology in Hong Kong and mining in Australia. The Indian Sensex slipped 78.64 points (-0.29%, day-on-day) despite the outperformance in its automotive sector driven by low fuel prices.

Key Indicators

January 8, 2015

EQUITIES BENCHMARK INDICES	07-Jan-15	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,309.70	0.44%	1.09%	1.09%	1.09%
MSCI World USD Index	1,662.22	0.47%	-2.78%	-3.72%	-4.01%
MSCI All Country Asia Pacific ex-Japan Total Returns	381.34	0.06%	-1.75%	-2.66%	-1.93%
MSCI Europe USD Index	1,525.06	-0.48%	-5.17%	-8.25%	-6.32%
FTSEurofirst 300 Index	1,330.20	0.51%	-2.80%	-4.68%	-3.39%
Dow Jones Industrial Average Index	17,584.52	1.23%	-1.34%	-1.50%	-2.52%
Standard & Poor's 500 Index	2,025.90	1.16%	-1.60%	-1.67%	-3.09%
YIELDS AND PRICES	07-Jan-15	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	2.5232	-0.02%	-0.02%	0.70%	-0.02%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.6909	-0.04%	-0.00%	0.44%	-0.00%
ROP2021 (Price)	109.059	0.03	0.81	0.69	0.81
ROP2034 (Price)	135.659	0.13	1.65	1.69	1.79
3-Month US Treasury Yield	0.0203	-0.01%	-0.02%	0.02%	0.02%
2-year US Treasury Yield	0.6091	-0.02%	-0.06%	-0.02%	-0.10%
10-year US Treasury Yield	1.9677	0.03%	-0.20%	-0.29%	-0.23%
30-year US Treasury Yield	2.5289	0.03%	-0.22%	-0.38%	-0.24%
3-Month German Treasury Bill Yield	-0.256	-0.00%	-0.09%	-0.13%	-0.07%
Dubai Crude Oil Spot (\$/bbl)	47.23	-1.09%	-12.29%	-26.91%	-16.13%
1-month Nymex oil futures (\$/bbl)	48.65	1.50%	-8.67%	-22.84%	-9.25%
Gold Spot (\$/oz)	1,211.47	-0.57%	2.25%	0.66%	2.38%
USD/PHP (PDEX close)	45.045	0.12	0.33	0.51	0.33

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of January 07, 2015					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	134.70	-	0.31	- 0.23
Australia	S&P/ASX 200 Index	5,353.61	-	11.19	- 0.21
China	Shanghai SE Comp Index	3,373.95	+	22.51	+ 0.67
Hong Kong	Hang Seng Index	23,681.26	+	195.85	+ 0.83
India	SENSEX	26,908.82	-	78.64	- 0.29
Indonesia	Jakarta Composite Index	5,207.12	+	38.06	+ 0.74
Japan	Nikkei 225	16,885.33	+	2.14	+ 0.01
Malaysia	KLCI	1,709.18	-	7.40	- 0.43
New Zealand	NZX 50 Index	5,558.06	-	3.32	- 0.06
Singapore	Straits Times Index	3,298.36	+	16.41	+ 0.50
South Korea	KOSPI	1,883.83	+	1.38	+ 0.07
Taiwan	TWSE	9,080.09	+	31.75	+ 0.35
Thailand	SET Index	1,500.75	+	23.17	+ 1.57

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	07-Jan-15	06-Jan-15	Difference		07-Jan-15	06-Jan-15	Difference
1 month	1.9893	2.0252	- 0.036	4 year	3.2750	3.3000	- 0.025
3 month	1.9286	2.3650	- 0.436	5 year	3.1824	3.2439	- 0.062
6 month	2.4250	2.4500	- 0.025	7 year	3.8500	3.8750	- 0.025
1 year	2.0817	2.4500	- 0.368	10 year	3.6155	3.6999	- 0.084
2 year	2.4500	2.4500	0.000	20 year	4.9750	4.9750	0.000
3 year	3.1500	2.9750	+ 0.175	25 year	4.5385	4.6485	- 0.110

Upcoming Economic Releases

January 8, 2015

Date	Philippines	Period Covered	Date	US	Period Covered
1/9/2015	Philippines External Trade Exports YoY	Nov	1/8/2015	US Initial Jobless Claims SA	Jan 3
1/9/2015	Philippines External Trade Exports	Nov	1/9/2015	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Dec
1/15/2015	Philippines Overseas Filipino Workers Remittances YoY	Nov	1/9/2015	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Dec
1/15/2015	Philippines Overseas Filipino Workers Remittances	Nov	1/9/2015	Merchant Wholesalers Inventories Total Monthly % Change	Nov
			1/14/2015	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jan 2
			1/14/2015	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Dec
			1/15/2015	US Empire State Manufacturing Survey General Business Conditions SA	Jan
			1/16/2015	US CPI Urban Consumers MoM SA	Dec
			1/16/2015	US Industrial Production MoM 2007=100 SA	Dec
			1/16/2015	University of Michigan Consumer Sentiment Index	Jan P

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones