

Local

- The local equities market traded slightly higher yesterday amid investor anticipation on the outcome of the BSP monetary board meeting and the lack of any positive developments. The PSEi marginally grew by 6.18 points or +0.10% to close at 5,914.59. Almost all sectoral indices were up with financials (+0.32%), industrials (+0.26%), and property (+0.18%) posting the greatest gains among peers, while mining and oil (-0.38%) and services (-0.22%) bucked the trend to end the day in the red. Market breadth was positive with 77 advances outnumbering 62 declines, while 44 issues were unchanged. Total value turnover amounted to Php5.14 billion. Foreign investors were net sellers at Php0.23 billion.
- For 2013, the Bank of the Philippine Islands' (BPI) net earnings grew by 15% to Php18.8 billion, year-on-year, from Php16.3 billion in 2012. The bank's net interest income rose by 10% as the average asset base grew to Php151 billion and non-interest income improved by 11% due to higher fees and commissions and other operating income. Likewise, the bank's deposits jumped 23% to Php989 billion on the back of a 40% year-on-year increase in savings and demand deposits. On the expenditure side, the bank incurred higher operating expenses due to regulatory costs, technology and occupancy-related costs.
- Philippine National Bank raised Php11.6 billion through a stocks right offering conducted last January 26 to February 3. The proceeds provide a capital injection into Allied Savings Bank, to build and refocus the bank's consumer lending business. This would also help strengthen the Bank's capital position under the Basel III standards.
- Prices of local government securities fell slightly as market players remained cautious ahead of the Monetary Board meeting, concluded in the afternoon. Some investors opted to cut their risk by selling some of their medium- and long-tenored holdings. Yields climbed by an average of 5.84 basis points led by the belly and long-end of the curve, which rose 12.6 and 11.4 basis points, respectively. Meanwhile, the short-end of the curve dropped by 6.8 basis points.
- The Philippine peso strengthened against the greenback following the release of weaker-than-expected private sector payrolls data. The currency pair appreciated by 15 centavos to end the day at USD/PHP45.180.

US and Europe

- US equities rallied on Thursday, with market sentiment boosted by a significant drop in unemployment claims, a dovish tone from the European Central Bank, and some speculation that the unemployment rate due for release on Friday would print 6.5%, meeting the Federal Reserve's target. The Dow Jones Industrial Average jumped 188.30 points to 15,628.53 and the S&P 500 index rallied 21.79 points to 1,773.43.
- Last week, the number of Americans filing for initial jobless benefits dropped by 20,000 to a seasonally adjusted 331,000, lower than the market estimate of 335,000. However, the less-volatile four-week moving average of claims inched higher to 334,000 from 333,750. Continuing claims likewise increase by 15,000 to 2,964,000 for the week ended January 25.
- Last December, US exports dropped 1.8% month-on-month to a seasonally adjusted US\$191.29 billion. On the other hand, imports inched higher by 0.3% to US\$229.99 billion. This caused the US trade deficit to widen to US\$38.7 billion, higher than the market estimate of US\$36.0 billion and November's US\$34.56 billion. The data suggests that trade made a smaller contribution to economic growth in the fourth quarter.
- US Treasury prices dropped amid a report which showed improvement in the jobs market. The 10-year benchmark yield rose 3.1 basis points to 2.7003%.
- European shares bounced back as investors cheered solid corporate earnings results and a dovish tone from the ECB. Following its meeting concluded yesterday, the ECB decided to maintain the refinancing rate unchanged at a record low of 0.25%. Market consensus had been split as to whether or not they would lower rates further in response to low inflation and tighter liquidity in the market. During the conference that followed, ECB President Mario Draghi stated that he was not worried about deflation since this was due to depressed food and energy prices. He likewise stressed that the ECB remained ready to take "decisive action" if needed. For the day, the FTSEurofirst300 index jumped 18.57 points to 1,290.41.
- The euro strengthened against the US dollar after supportive statements from the ECB buoyed investor confidence. The shared currency added 0.79 cents to EUR/USD1.3590.

Asia Pacific

- Most Asian markets rallied Thursday though gains were limited as investors stayed cautious ahead of the release of a key labor report in the US. The US is scheduled to release its non-farm payroll report Friday after markets in Asia close. Australia's S&P/ASX 200 Index (+1.20%), Thailand's SET Index (+1.17%), and Singapore's Straits Times Index (+0.95%) posted the largest gains among peers. The MSCI All Country Asia Pacific Index increased 0.37 points, or 0.28%, to 131.49. The New Zealand and Chinese stock markets were closed for the session.

Key Indicators

EQUITIES BENCHMARK INDICES	06-Feb-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	5,914.59	0.10%	-2.10%	-1.19%	0.42%
MSCI World USD Index	1,592.69	1.29%	-0.92%	-2.95%	-3.72%
MSCI All Country Asia Pacific ex-Japan Total Returns	354.81	1.07%	-1.05%	-3.78%	-5.37%
MSCI Europe USD Index	1,704.53	1.96%	0.01%	-1.66%	-2.93%
FTSEurofirst 300 Index	1,290.41	1.46%	-0.30%	-1.44%	-1.82%
Dow Jones Industrial Average Index	15,628.53	1.22%	-1.39%	-4.85%	-5.16%
Standard & Poor's 500 Index	1,773.43	1.24%	-1.16%	-2.92%	-3.69%
YIELDS AND PRICES	06-Feb-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.4083	-0.29%	0.00%	0.71%	0.92%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.2354	-0.02%	-0.06%	1.03%	1.30%
ROP2021 (Price)	103.369	0.01	(0.13)	0.17	(0.25)
ROP2034 (Price)	119.569	0.07	0.38	2.22	0.01
3-Month US Treasury Yield	0.0659	0.01%	0.05%	0.02%	0.01%
2-year US Treasury Yield	0.3196	0.01%	-0.02%	-0.07%	-0.07%
10-year US Treasury Yield	2.7003	0.03%	0.01%	-0.26%	-0.30%
30-year US Treasury Yield	3.6683	0.02%	0.03%	-0.23%	-0.27%
3-Month German Treasury Bill Yield	0.061	0.02%	0.00%	0.02%	-0.00%
Brent Crude Oil Spot (\$/bbl)	109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)	102.51	0.30%	-1.75%	-1.39%	-5.69%
1-month Nymex oil futures (\$/bbl)	97.84	0.47%	-0.40%	4.72%	-2.47%
Gold Spot (\$/oz)	1,258.19	0.02%	1.15%	1.63%	3.70%
USD/PHP (PDEX close)	45.180	(0.15)	(0.14)	0.48	0.78

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		February 06, 2013			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pac Index	131.49	+ 0.37	+ 0.28	
Australia	S&P/ASX 200 Index	5,131.40	+ 61.09	+ 1.20	
China	Shanghai SE Comp Index	2,033.08	0.00	0.00	
Hong Kong	Hang Seng Index	21,423.13	+ 153.75	+ 0.72	
India	SENSEX	20,310.74	+ 49.71	+ 0.25	
Indonesia	Jakarta Composite Index	4,424.71	+ 40.40	+ 0.92	
Japan	Nikkei 225	14,155.12	- 25.26	- 0.18	
Malaysia	KLCI	1,797.90	+ 12.02	+ 0.67	
New Zealand	NZX 50 Index	4,807.94	0.00	0.00	
Singapore	Straits Times Index	2,988.27	+ 28.18	+ 0.95	
South Korea	KOSPI	1,907.89	+ 16.57	+ 0.88	
Taiwan	TWSE	8,311.01	+ 46.53	+ 0.56	
Thailand	SET Index	1,295.24	+ 14.99	+ 1.17	

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	06-Feb-14	05-Feb-14	Difference		06-Feb-14	05-Feb-14	Difference
1 month	1.6000	1.6000	0.000	4 year	3.5250	3.2776	+ 0.247
3 month	1.0500	1.2336	- 0.184	5 year	3.3570	3.2585	+ 0.099
6 month	1.1181	1.8750	- 0.757	7 year	3.9500	4.0000	- 0.050
1 year	1.8750	1.2065	+ 0.669	10 year	4.3806	4.2343	+ 0.146
2 year	2.6250	2.4643	+ 0.161	20 year	5.0136	4.8506	+ 0.163
3 year	2.7500	2.5762	+ 0.174	25 year	5.5162	5.4827	+ 0.033

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
2/7/2014	Philippines Gross Intl Reserves	Jan	2/7/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Jan
2/11/2014	Philippines External Trade Exports YoY	Dec	2/7/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Jan
2/11/2014	Philippines External Trade Exports	Dec	2/11/2014	Merchant Wholesalers Inventories Total Monthly % Change	Dec
			2/12/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Feb 7
			2/13/2014	US Treasury Federal Budget Debt Summary Deficit Or Surplus NSA	Jan
			2/13/2014	US Initial Jobless Claims SA	Feb 1
			2/13/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Jan
			2/14/2014	US Import Price Index by End Use All MoM NSA	Jan
			2/14/2014	US Industrial Production MoM 2007=100 SA	Jan
			2/14/2014	University of Michigan Survey of Consumer Confidence Sentiment	Feb P

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