

## Local

- The local equities market sustained Monday's gains, closing the day at 6,800.84. The increase of 90.44 points (+1.35%, DoD) was largely due to bargain hunting as investors discounted weak Philippine 1Q'14 growth in favor of positive economic developments, particularly in manufacturing, in the US and China. Foreign investors were net buyers at PHP0.44 billion. Among the sectoral indices, only mining and oil (-0.25%) ended the day in red while property (+1.40%), industrials (+1.34%), and holding firms (+1.25%) all booked gains. Market breadth was positive with 104 advances outnumbering 71 declines, while 43 issues were unchanged. Total value turnover amounted to Php7.51 billion.
- According to the Bureau of the Treasury, the national government's debt stock rose by 6.2% year-on-year to Php5.64 trillion in April, compared to the Php5.308 trillion recorded in the same month last year. On a monthly basis, April's figure was also slightly higher than the Php5.63 trillion registered in March. Of the total debt, domestic liabilities accounted for 65% while 35% came from foreign creditors. Domestic debt stock was up 7.2% annually to Php3.69 trillion in April, while external debt rose 4.5% to Php1.95 trillion.
- Local telecommunications conglomerate Philippine Long Distance Telephone Co. (PLDT) is looking to enter the North American market this month to provide Mobile Virtual Network Operator (MVNO) services. According to PLDT Global President and Chief Executive Office Alex Caeg, the expansion to North America represents its eighth overseas market following similar product offerings in Macau, Hong Kong, Malaysia, Guam, Taiwan, Singapore and the U.K. In this project, which aims to service the estimated 3.5 million Filipinos living in North America, PLDT Global will be partnering with T-mobile, a unit of Deutsche Telekom AG.
- On the local fixed income market, bond prices ended yesterday slightly higher, with investors remaining on the sidelines on the absence of market-moving news. Yields across the curve fell by 2.98 basis points, led by the short- and long-ends of the curve, which dropped by 13.3 and 1.9 basis points, respectively.
- The Philippine peso traded sideways against the US dollar amid the lack of fresh leads from the market. The local currency pared 1 centavo to close at 43.810.

## US and Europe

- US equities edged slightly lower to consolidate their recent rally, as signs of fatigue in the US economy began to show despite the strong manufacturing data released yesterday. The S&P500 index dipped 0.73 of a point to close at 1,924.24, while the Dow Jones Industrial Average index decreased 21.29 points to close at 16,722.34.
- US-made factory goods and auto sales continued to buoy the growth outlook in the world's largest economy. Reports from the US Commerce Department showed that the factory goods rose for a third straight month in April, as it surpassed market expectations by 0.2% with a reported 0.7% increase. Meanwhile, according to Autodata—an independent research firm, auto sales surged 11.4% from a year earlier, which is the strongest growth since February 2007. These reports added to the bullish employment and other manufacturing which suggest that the US economy is recovering from its first quarter slump, which was mostly weather-induced.
- US Treasury prices dipped for a fourth consecutive trading session, posting the longest losing streak for the bond market in two months. Bond prices plummeted as investors awaited the highly anticipated European Central Bank meeting and US employment report due at the end of this week. Two-year note yield increased 1.2 basis points to close at 0.399% while the 10-year bond yields jumped 6.8 basis points to close at 2.599%.
- The Harmonised Index of Consumer Prices showed a flash estimate of the inflation rate falling to 0.5% in May from the reported 0.7% in April. This estimate increased market expectations that the European Central Bank will initiate further stimulus measures in order to combat the deflationary period in the region. Core inflation fell to 0.7% from 1% in April, while consumer prices in Germany increased at a 0.9% rate, which is lower than the 1.3% increase in April.
- The euro remained stronger against the US dollar as the upbeat euro zone unemployment report overshadowed higher-than-expected US factory orders data. The EUR/USD closed at 1.3628, a 0.23% increase from the previous day's close.

## Asia Pacific

- Most Asian markets were up Tuesday following country-specific news. In Hong Kong (+0.91%), investors took cue from the final reading of HSBC's manufacturing PMI which came in at 49.4. The print was slightly lower than the preliminary reading of 49.7, but better than the 48.1 reading in April. In Japan (+0.66%), investors speculated that the government's pension fund may raise its holdings in domestic shares. Based on a report from Nikkei, the head of the investment committee of Japan's Government Pension Investment Fund, Yasuhiro Yonezawa, said it might release its new investment plan as early as August and that it might include a goal of having the fund hold a higher percentage of stock investments. The yen's depreciation against the US dollar, likewise, added to the positive tone. The MSCI All Country Asia Pacific Index increased 0.60 points, or 0.42%, to 143.07.

## Key Indicators

EQUITIES BENCHMARK INDICES		03-Jun-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index		6,800.84	1.35%	0.30%	0.00%	15.47%
MSCI World USD Index		1,715.82	-0.08%	0.48%	0.00%	3.73%
MSCI All Country Asia Pacific ex-Japan Total Returns		399.73	0.44%	0.71%	0.00%	6.61%
MSCI Europe USD Index		1,818.32	-0.33%	-0.27%	0.00%	3.54%
FTSEurofirst 300 Index		1,374.78	-0.41%	-0.29%	0.00%	4.60%
Dow Jones Industrial Average Index		16,722.34	-0.13%	0.28%	0.00%	1.48%
Standard & Poor's 500 Index		1,924.24	-0.04%	0.64%	0.00%	4.50%
YIELDS AND PRICES		03-Jun-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)		1.2604	0.01%	-0.03%	0.00%	0.77%
1-Year Philippine Treasury Bill Yield (PDST-F)		2.1417	-0.02%	-0.01%	0.00%	1.21%
ROP2021 (Price)		106.951	(0.26)	0.57	0.00	3.33
ROP2034 (Price)		128.818	(0.69)	0.14	0.00	9.26
3-Month US Treasury Yield		0.0304	0.01%	0.01%	0.00%	-0.03%
2-year US Treasury Yield		0.3987	0.01%	0.05%	0.00%	0.01%
10-year US Treasury Yield		2.5985	0.07%	0.08%	0.00%	-0.40%
30-year US Treasury Yield		3.4379	0.07%	0.08%	0.00%	-0.50%
3-Month German Treasury Bill Yield		-0.009	-0.01%	-0.02%	0.00%	-0.07%
Brent Crude Oil Spot (\$/bbl)		109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)		104.49	-0.85%	-1.74%	0.00%	-3.86%
1-month Nymex oil futures (\$/bbl)		102.66	0.19%	-1.39%	0.00%	2.33%
Gold Spot (\$/oz)		1,244.97	0.08%	-1.58%	0.00%	2.61%
USD/PHP (PDEX close)		43.810	0.01	0.03	0.00	(0.59)

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		June 03, 2014			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	143.07	+ 0.60	+ 0.42	
Australia	S&P/ASX 200 Index	5,479.68	- 38.78	- 0.70	
China	Shanghai SE Comp Index	2,038.31	- 0.91	- 0.04	
Hong Kong	Hang Seng Index	23,291.04	+ 209.39	+ 0.91	
India	SENSEX	24,858.59	+ 173.74	+ 0.70	
Indonesia	Jakarta Composite Index	4,942.16	+ 30.07	+ 0.61	
Japan	Nikkei 225	15,034.25	+ 98.33	+ 0.66	
Malaysia	KLCI	1,872.55	+ 8.30	+ 0.45	
New Zealand	NZX 50 Index	5,164.12	- 14.32	- 0.28	
Singapore	Straits Times Index	3,296.67	- 5.57	- 0.17	
South Korea	KOSPI	2,008.56	+ 6.56	+ 0.33	
Taiwan	TWSE	9,123.46	+ 47.55	+ 0.52	
Thailand	SET Index	1,454.24	+ 13.30	+ 0.92	

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)									
	03-Jun-14	02-Jun-14	Difference			03-Jun-14	02-Jun-14	Difference	
1 month	1.1901	1.2500	-	0.060	4 year	3.0065	2.9300	+	0.076
3 month	1.1000	1.0150	+	0.085	5 year	3.2500	3.3500	-	0.100
6 month	1.3678	1.7000	-	0.332	7 year	3.7000	3.4615	+	0.239
1 year	1.7632	1.9861	-	0.223	10 year	3.9000	3.9000	-	0.000
2 year	2.3119	2.3036	+	0.008	20 year	4.8000	4.8500	-	0.050
3 year	2.6387	2.6329	+	0.006	25 year	5.0127	5.0188	-	0.006

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
6/4/2014	Philippines Budget Balance Monthly	Apr	6/3/2014	US Manufacturers New Orders Total MoM SA	Apr
6/5/2014	Philippines CPI All items YoY% 2006=100	May	6/4/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	May 30
6/5/2014	Philippines CPI All items MoM% 2006=100	May	6/4/2014	ADP National Employment Report SA Private Nonfarm Level Change	May
6/5/2014	Philippines Core Inflation YoY 2006=100	May	6/4/2014	US Trade Balance Balance Of Payments SA	Apr
6/6/2014	Philippines Gross Intl Reserves	May	6/5/2014	US Initial Jobless Claims SA	May 31
6/10/2014	Philippines External Trade Exports YoY	Apr	6/6/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	May
6/10/2014	Philippines Labor Force Survey Unemployment Rate New Concept	Apr	6/6/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	May
			6/10/2014	Merchant Wholesalers Inventories Total Monthly % Change	Apr
			6/12/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	May
			6/13/2014	University of Michigan Survey of Consumer Confidence Sentiment	Jun P

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