

Local

- The local equities market returned below the 6,800 level ahead of today's May inflation data as investors continued to be cautious on the BSP's possible move to increase interest rates. The PSEi declined by 34.27 points, or -0.50%, to close at 6,766.57. Sectoral indices were mixed with mining and oil (+1.14%), financials (+0.35%), and industrials (+0.10%) gaining the most among peers while property (-2.21%) and holding firms (-0.46%) incurred losses for the day. Market breadth remains to be positive with 99 advances outnumbering 74 declines, while 47 issues were unchanged. Total value turnover amounted to Php6.61 billion. Foreign investors were net sellers at Php0.42 billion.
- According to the Philippine Economic Zone Authority (PEZA), its approved projects for the first five months of the year grew 37.12% to a total of Php101.476 billion, from the Php74.005 billion booked in the same period last year. The uptick was due to the expansion of existing manufacturing firms and economic zone developers, as well as the entry of new players.
- The Light Rail Transit Authority (LRTA) is looking to bid out a Php1.33 billion contract for maintenance of the Light Rail Transit Line 2 (LRT2), which runs from CM Recto Avenue to Santolan Street along Marcos Highway. Bidders are required to submit a bid security of Php26.62 million if the amount is in the form of cash, cashier's or manager's check, bank draft or guarantee or irrevocable letter of credit, or Php66.55 million if bid security is in surety bond. Deadline for submission of bids is on July 30. Moreover, the bidder must have been successfully involved in the maintenance of a similar project for a total of 15 years in the last 20 years.
- On the local fixed income market, government securities traded sideways as two-way interest was observed ahead of the May inflation figure due for release today. On average, yields marginally dropped by 0.52 basis points with short-tenored buckets climbing by 3.0 basis points, while the belly of the curve dropped 3.6 basis points.
- The Philippine peso depreciated against the greenback for the third consecutive day as risk-off sentiment was seen among investors after the country's budget surplus for April reached Php80.9 billion, the largest in 20 years, on lower government spending. This in turn could result to a lower GDP growth for 2Q2014. The local currency gave up 6 centavos to close at 43.870.

US and Europe

- US equities inched higher as investors dealt with mixed economic data results. The S&P500 index closed with a new record high for the tenth consecutive trading session. Investors focused on news that the sector services accelerated and an overall positive Beige Book report, which overshadowed the weaker-than-expected private sector payrolls data. The S&P500 index climbed 3.64 points to close at 1,927.88, while the Dow Jones Industrial Average Index increased 15.19 points to close at 16,737.53.
- Data from a broadly encouraging Beige Book reported that economic growth increased in all twelve Federal Reserve Districts. The report showed that growth was reported at moderate to modest, with employment prospects generally strengthened across the country. Meanwhile, real estate conditions were described as mixed mostly due to mostly robust apartment & condo rentals and favorable rising house prices, which were offset by the sluggish sales due to lack of inventory. The report also showed expansion in consumer spending, which was buoyed by growth in both auto and non-auto retail sales.
- The Institute for Supply Management (ISM) reported that the US non-manufacturing sector expanded further in May. The ISM's non-manufacturing purchasing managers index (PMI) beat market expectations by 1.2 points to a final reading of 56.3 in May from 55.2 in April. This increase is the highest non-manufacturing PMI since August 2013. Meanwhile, the new orders index, business activity/production index, ISM employment index, and prices index all edged higher at 60.5, 62.1, 52.4, and 61.4 respectively.
- US Treasury prices ultimately lost ground following mixed economic data reports, which stretched the bond market's losing streak to five days—the longest in twelve months. Data from the US private sector adding fewer-than-expected had buyers in control before sellers finally turned the tide following a separate release that showed the US service sector accelerating faster than expected. The two-year note yield dropped 0.4 basis points to close at 0.391%, while the ten-year note yield climbed 0.4 basis points to close at 2.602%.
- European investors erred on the side of caution ahead of the European Central Bank meeting slated Thursday. The FTSEurofirst 300 index crept lower by 0.3 of a point to close at 1,374.75.

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- The euro slightly strengthened against the US dollar amid the mixed US economic data and as the European Central Bank meeting loomed overhead. The EUR/USD retreated back to the 1.36 resistance line as it closed at EUR/USD1.3602.

Asia Pacific

- Most Asian markets succumbed to profit taking on Wednesday. In China (-0.66%), shares of real estate developers retracted following concerns over property sales. In Hong Kong (-0.60%), mall operators led the decline following reports that showed retail sales were dwindling. In Australia (-0.64%), consumer discretionary stocks were at the forefront of the decline as stronger GDP data failed to boost sentiment. Japanese stocks, meanwhile, bucked the trend to post a 0.22% gain as a steadily weakening yen helped boost the market. The MSCI All Country Asia Pacific Index waned 0.22 points, or -0.15%, to 142.85.

Key Indicators

EQUITIES BENCHMARK INDICES		04-Jun-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,766.57		-0.50%	-0.31%	0.35%	14.89%
MSCI World USD Index	1,717.76		0.11%	0.68%	1.70%	3.84%
MSCI All Country Asia Pacific ex-Japan Total Returns	398.10		-0.41%	-0.20%	3.09%	6.17%
MSCI Europe USD Index	1,818.39		0.00%	-0.05%	-0.10%	3.55%
FTSEurofirst 300 Index	1,374.75		-0.00%	-0.22%	1.75%	4.60%
Dow Jones Industrial Average Index	16,737.53		0.09%	0.63%	1.36%	1.57%
Standard & Poor's 500 Index	1,927.88		0.19%	0.95%	2.48%	4.70%
YIELDS AND PRICES		04-Jun-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.2729		0.01%	0.03%	-0.19%	0.78%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.1458		0.00%	0.03%	-0.25%	1.21%
ROP2021 (Price)	106.749		(0.20)	0.13	1.08	3.13
ROP2034 (Price)	128.461		(0.36)	(0.53)	2.42	8.90
3-Month US Treasury Yield	0.0304		0.00%	0.00%	0.02%	-0.03%
2-year US Treasury Yield	0.3908		-0.01%	0.03%	-0.03%	0.00%
10-year US Treasury Yield	2.6021		0.00%	0.16%	0.02%	-0.40%
30-year US Treasury Yield	3.4396		0.00%	0.15%	0.07%	-0.50%
3-Month German Treasury Bill Yield	-0.007		0.00%	-0.00%	0.02%	-0.07%
Brent Crude Oil Spot (\$/bbl)	109.36		0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)	105.58		1.04%	-1.17%	0.94%	-2.86%
1-month Nymex oil futures (\$/bbl)	102.64		-0.02%	-0.08%	2.89%	2.31%
Gold Spot (\$/oz)	1,243.92		-0.08%	-1.13%	-4.29%	2.52%
USD/PHP (PDEX close)	43.870		0.06	(0.01)	(0.63)	(0.53)

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		June 04, 2014			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	142.85	- 0.22	-	
Australia	S&P/ASX 200 Index	5,444.83	- 34.85	-	
China	Shanghai SE Comp Index	2,024.83	- 13.47	-	
Hong Kong	Hang Seng Index	23,151.71	- 139.33	-	
India	SENSEX	24,805.83	- 52.76	-	
Indonesia	Jakarta Composite Index	4,932.56	- 9.59	-	
Japan	Nikkei 225	15,067.96	+ 33.71	+	
Malaysia	KLCI	1,865.20	- 7.35	-	
New Zealand	NZX 50 Index	5,159.35	- 4.77	-	
Singapore	Straits Times Index	3,280.17	- 16.50	-	
South Korea	KOSPI	2,008.56	0.00	0.00	
Taiwan	TWSE	9,119.96	- 3.50	-	
Thailand	SET Index	1,449.40	- 4.84	-	

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	04-Jun-14	03-Jun-14	Difference		04-Jun-14	03-Jun-14	Difference	
1 month	1.3098	1.1901	+	0.120	4 year	2.9798	3.0065	- 0.027
3 month	0.9900	1.1000	-	0.110	5 year	3.2936	3.2500	+ 0.044
6 month	1.3492	1.3678	-	0.019	7 year	3.4924	3.7000	- 0.208
1 year	1.8919	1.7632	+	0.129	10 year	3.9000	3.9000	0.000
2 year	2.3205	2.3119	+	0.009	20 year	4.8000	4.8000	0.000
3 year	2.6387	2.6387		0.000	25 year	5.0123	5.0127	- 0.0004

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
6/5/2014	Philippines CPI All items YoY% 2006=100	May	6/5/2014	US Initial Jobless Claims SA	May 31
6/5/2014	Philippines CPI All items MoM% 2006=100	May	6/6/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	May
6/5/2014	Philippines Core Inflation YoY 2006=100	May	6/6/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	May
6/6/2014	Philippines Gross Intl Reserves	May	6/6/2014	US Employees on Nonfarm Payrolls Manufacturing Industry Monthly Net Change SA	May
6/10/2014	Philippines External Trade Exports YoY	Apr	6/10/2014	Merchant Wholesalers Inventories Total Monthly % Change	Apr
6/10/2014	Philippines Labor Force Survey Unemployment Rate New Concept	Apr	6/11/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	May 30
6/10/2014	Philippines External Trade Exports	Apr	6/12/2014	US Treasury Federal Budget Debt Summary Deficit Or Surplus NSA	May
			6/12/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	May
			6/12/2014	US Import Price Index by End Use All MoM NSA	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