

## Local

- The local equities market lost ground as profit-taking was seen among players after the faster-than-expected May inflation spurred speculation of a BSP rate hike. The PSEi reversed Thursday's gains, slipping by 9.82 points, or -0.14%, to close at 6,762.62. Most indices ended the week in negative territory led by holding firms (-0.34%), property (-0.27%), and financials (-0.19%) while industrials (+0.11%) and mining and oil (+0.09%) inched higher. Market breadth was negative with 95 declines outnumbering 74 advances, while 48 issues were unchanged. Total value turnover amounted to Php7.84 billion. Foreign investors were net sellers at Php0.44 billion.
- Data from the Bureau of the Treasury (BTr) showed that subsidies given to state firms declined by 76.22% to Php253 million in April from the Php1.064 billion registered in the same period in 2013. The Philippine Rice Research Institute accounted for the biggest share of subsidies last month, amounting to Php137 billion. This was followed by the Cultural Center of the Philippines, which received Php68 million. Meanwhile, the Development Academy of the Philippines and the Philippine National Railways received Php18 million each.
- According to Bangko Sentral ng Pilipinas (BSP) Governor Amando M. Tetangco, Jr., the M3 growth slowdown in April is within the expected path projected by the BSP. He added that the central bank sees the M3 growth to reach normal levels in the second half of the year. Last April, M3 which is the broadest measure of money in the financial system, rose by 32.1%, slower than the revised 34.7% in March.
- Local government securities traded sideways as market players took a defensive stance ahead of the release of the US Nonfarm payrolls data last Friday. On average, yields across the curve dropped by 1.32 basis points, with the short- and the long-ends of the curve declining by 3.5 and 1.9 basis points, respectively, while medium-tenored bonds climbed 0.7 basis points.
- The Philippine peso strengthened against the greenback as investors favored the local currency on speculation of an interest rate hike, which will be imposed by the central bank after the country's inflation print in May came out higher-than-expected. The USD/PHP currency pair appreciated 16.50 centavos to end the week at 43.650.

## US and Europe

- US equities continued to gain ground, as they posted fresh record highs for the third consecutive week, following positive non-farm payrolls data released by the US Labor Department. The S&P 500 index advanced 8.98 points to close at 1,949.44, while the Dow Jones Industrial Average index rose 88.17 points to close at 16,924.28.
- The US Labor Department announced that the American economy has finally surpassed its previous employment peak with non-farm payrolls advancing by 217,000 jobs, which renews optimism for the country's probable recovery. The US economy has now posted its largest stretch in employment history since September 1999 to January 2000. Service sector jobs led the growth with the healthcare & social assistance, retail, transportation & warehousing, manufacturing and construction adding 216k, 39k, 12.5k, 16.4k, and 10k jobs respectively.
- The Federal Reserve released information last Friday pertaining to aggressive credit card usage by US consumers. American consumers threw caution to the wind in April, as they racked up their credit card balances at the fastest pace in 13 years. The amount of outstanding revolving credit spiked US\$26.85 billion or 12.3%. Meanwhile, overall consumer credit, including student and car loans but excluding real estate loans, advanced at a 10.23% annual rate to US\$20.85 billion.
- US Treasuries closed slightly lower as investors focused on the improving US economy with a solid US jobs report and pending new debt sales. The two-year note yield rose 2 basis points to close at 0.399%, while the ten year bond yield increased 0.5 basis points to close at 2.587%.
- European stocks ended the week at fresh six-year highs amid the stimulus measures announced by the European Central Bank last Thursday. The FTSEurofirst300 index rallied 8.27 points, or 0.6%, to close at 1,388.48.
- The euro ended the week stronger against the US dollar following the high-than-expected US non-farm payrolls report. The EUR/USD closed at 1.3645.

## Asia Pacific

- Asian markets ended mixed Friday with most ending within the +/-1% range from Thursday's close. Investors continued to take a wait-and-see approach before the release of key labor reports in the US. The one exception was India, which ended at a record high following a sharp rally in oil and gas company stocks along with real-estate firms. The South Korean stock market was closed for the session. The MSCI All Country Asia Pacific Index increased 0.22 points, or 0.15%, to 143.25.

## Key Indicators

EQUITIES BENCHMARK INDICES		06-Jun-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index		6,762.62	-0.14%	1.73%	-0.05%	14.82%
MSCI World USD Index		1,734.47	0.51%	1.12%	3.03%	4.86%
MSCI All Country Asia Pacific ex-Japan Total Returns		399.92	0.24%	0.58%	3.36%	6.66%
MSCI Europe USD Index		1,838.93	0.79%	0.75%	1.07%	4.72%
FTSEurofirst 300 Index		1,388.48	0.60%	0.80%	3.37%	5.64%
Dow Jones Industrial Average Index		16,924.28	0.52%	1.24%	3.19%	2.71%
Standard & Poor's 500 Index		1,949.44	0.46%	1.34%	4.38%	5.87%
YIELDS AND PRICES		06-Jun-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)		1.2833	-0.01%	0.04%	-0.26%	0.79%
1-Year Philippine Treasury Bill Yield (PDST-F)		2.0646	-0.09%	-0.04%	-0.29%	1.13%
ROP2021 (Price)		106.769	0.11	(0.49)	1.08	3.15
ROP2034 (Price)		128.519	0.21	(1.11)	1.95	8.96
3-Month US Treasury Yield		0.0304	0.00%	0.00%	0.01%	-0.03%
2-year US Treasury Yield		0.3988	0.02%	0.03%	-0.02%	0.01%
10-year US Treasury Yield		2.5869	0.00%	0.11%	-0.00%	-0.41%
30-year US Treasury Yield		3.4320	-0.00%	0.10%	0.05%	-0.50%
3-Month German Treasury Bill Yield		-0.012	0.01%	-0.01%	0.02%	-0.08%
Brent Crude Oil Spot (\$/bbl)		109.36	0.00%	0.00%	0.00%	0.00%
Dubai Crude Oil Spot (\$/bbl)		105.31	0.95%	-1.03%	1.13%	-3.11%
1-month Nymex oil futures (\$/bbl)		102.66	0.18%	-0.05%	3.18%	2.33%
Gold Spot (\$/oz)		1,253.25	-0.04%	0.28%	-4.19%	3.29%
USD/PHP (PDEX close)		43.650	(0.16)	(0.11)	(0.67)	(0.75)

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
Last Trade as of		June 06, 2014			
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	143.25	+	0.22	+ 0.15
Australia	S&P/ASX 200 Index	5,464.03	+	27.15	+ 0.50
China	Shanghai SE Comp Index	2,029.96	-	10.92	- 0.54
Hong Kong	Hang Seng Index	22,951.00	-	158.66	- 0.69
India	SENSEX	25,396.46	+	376.95	+ 1.51
Indonesia	Jakarta Composite Index	4,937.18	+	1.61	+ 0.03
Japan	Nikkei 225	15,077.24	-	2.13	- 0.01
Malaysia	KLCI	1,862.70	-	6.30	- 0.34
New Zealand	NZX 50 Index	5,182.44	+	22.95	+ 0.44
Singapore	Straits Times Index	3,299.43	+	19.79	+ 0.60
South Korea	KOSPI	1,995.48		0.00	0.00
Taiwan	TWSE	9,134.46	-	6.26	- 0.07
Thailand	SET Index	1,458.02	+	4.86	+ 0.33

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)									
	06-Jun-14	05-Jun-14	Difference			06-Jun-14	05-Jun-14	Difference	
1 month	1.2500	1.2500		0.000	4 year	3.0123	2.9829	+	0.029
3 month	1.0150	1.1000	-	0.085	5 year	3.3015	3.3035	-	0.002
6 month	1.2995	1.2750	+	0.025	7 year	3.4975	3.5030	-	0.006
1 year	1.7719	1.8500	-	0.078	10 year	3.8000	3.9000	-	0.100
2 year	2.3452	2.3411	+	0.004	20 year	4.8500	4.8250	+	0.025
3 year	2.6624	2.6532	+	0.009	25 year	5.0403	5.0208	+	0.0195

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
6/10/2014	Philippines External Trade Exports YoY	Apr	6/11/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Jun 6
6/10/2014	Philippines Labor Force Survey Unemployment Rate New Concept	Apr	6/12/2014	US Initial Jobless Claims SA	Jun 7
6/10/2014	Philippines External Trade Exports	Apr	6/12/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	May
6/16/2014	Philippines Overseas Filipino Workers Remittances YoY	Apr	6/13/2014	University of Michigan Survey of Consumer Confidence Sentiment	Jun P
6/16/2014	Philippines Overseas Filipino Workers Remittances	Apr	6/16/2014	US Empire State Manufacturing Survey General Business Conditions SA	Jun
6/19/2014	Philippines BOP	May	6/16/2014	US Industrial Production MoM 2007=100 SA	May
6/19/2014	Philippines Overnight Reverse Repurchase Agreement RRP Rate	Jun 19	6/17/2014	US CPI Urban Consumers MoM SA	May
			6/17/2014	US New Privately Owned Housing Units Started by Structure Total SAAR	May
			6/19/2014	Federal Funds Target Rate US	Jun 18
			6/19/2014	Conference Board US Leading Index MoM	May

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