

Local

- The local equities market traded sideways one day prior to the eventful FOMC and MB meetings ended today. Uncertainty on today's interest rate action triggered intraday profit-taking but bargain hunters pushed it back to the 6,700 level. The PSEi marginally declined, losing 1.80 points, or -0.03%, to close at 6,703.13. Sectoral indices ended on an even split with mining and oil (+0.80%), holding firms (+0.21%), and financials (+0.07%) closing day at higher levels while property (-0.68%), services (-0.60%), and industrials (-0.07%) ended in negative territory. Market breadth continued to be negative with 125 declines outnumbering 53 advances, while 43 issues were unchanged. Total value turnover amounted to Php7.18 billion. Foreign investors were net sellers for the third straight day at Php0.53 billion.
- Pilipinas Shell, the Philippine unit of the Royal Dutch Shell, is planning to undertake an initial public offering (IPO) this year to comply with the Oil Deregulation Act. The said act requires oil refiners to undertake an IPO. In 2013, the Department of Energy (DOE) required the company to explain its failure to undertake an IPO for the past 15 years. Pilipinas Shell defended that it required time to study capital needed and viable investment options for the expansion of its refinery in Tabango, Batangas. To date, only two oil companies are listed in the Philippine Stock Exchange (PSE), Petron Corp. (PSE Ticker: PCOR) and Phoenix Petroleum Philippines Inc. (PSE Ticker: PNX).
- The Bangko Sentral ng Pilipinas (BSP) said yesterday that average inflation for 2014 may be adjusted higher than the prior estimate of 4.3% towards the upper end of its target range of 3% to 5%. BSP Governor Amando Tetangco Jr. said that the BSP's policy-setting meeting scheduled today will focus on key issues influencing inflation such as rising food prices and recent transport fare hikes. Potential impact of looming El Nino and escalating geopolitical tensions in Iraq will also be taken into consideration.
- On the local fixed income market, government securities traded sideways on two-way interest ahead of the results of the FOMC meeting. Yields across the curve marginally fell by 0.07 basis points with the short- end of the curve falling by 1.8 basis points, while long-tenored buckets rose by 1.3 basis points.
- The Philippine peso depreciated against the US dollar, returning above Php44-to-a-dollar level, on expectations of hawkish statements from the Federal Reserve's FOMC meeting. The local currency lost 25 centavos to close at 44.120.

US and Europe

- US equities edged higher on Wednesday on the back of the Federal Reserve's announcement that the world's largest economy is rebounding and would adopt a low interest rate regime for some time. The S&P 500 index advanced 14.99 points, or 0.77%, to close at a record high 1,956.98, while the Dow Jones Industrial Average index climbed 98.13 points, or 0.58%, to close at 16,906.62.
- Federal Reserve officials reported that the Federal Open Market Committee (FOMC) forecasts were largely in line with expectations that the US economy would continue rebounding on the back of improved economic conditions. Interest rates would remain close to zero for a reasonable amount of time following the end of its quantitative easing tapering. Moreover, the Fed announced that it would reduce quantitative easing by another \$10 billion. Fed officials cut its 2014 growth outlook, measured by GDP growth, from 2.3% down to 2.1%. Officials also nudged up their forecasts for short-term interest rates out to 2016. On average, the US central bank announced that benchmark federal funds rate would hit 1.2% by the end of 2015 and 2.5% by the end of 2016. Meanwhile, officials on average said that target interest rate could settle in lower-than-expected over the longer run at 3.75%-- which is lower than its earlier forecast of 4%.
- The US Commerce Department reported that the US 1Q2014 current account deficit widened to its highest level in 18 months mostly due to a drop in exports and lower income from overseas investments. The higher-than-expected jump to \$111.2 billion in the first quarter can act as a drag on growth, as the current account is the country's broadest measure of trade, which measures goods, services and investment flows. In recent years, rising petroleum exports have narrowed the deficit, but such exports fell in the first quarter.
- US Treasury prices rallied on the back of the US Central Bank's dovish expectations following the FOMC meeting. The two-year yield slipped 3.6 basis points to close at 0.444%, while the ten-year yield declined 6.2 basis points to close at 2.59%.
- European equities edged slightly lower in a subdued trading session as investors remained on the sidelines ahead of the statement from the US Federal Reserve. The FTSEurofirst 300 index declined 0.31 of a point to close at 1,387.44.
- The euro initially strengthened against the US dollar ahead of the FOMC meeting, but ended the trade only

slightly edging out the greenback. The EUR/USD closed at 1.550.

Asia Pacific

- Asian markets closed mixed on Wednesday as investors mostly remained on the sidelines ahead of the Federal Open Market Committee meeting, wherein US policy makers are expected to provide updates on the direction of monetary policy moving forward. Japanese shares (+0.93%) continued to post gains amid the weakening yen, which stocks in Hong Kong (-0.09%) and China (-0.54%) ended lower as China's housing market showed further signs of weakness. On average, new home prices in China rose by just 5.4% year-on-year compared to the 6.4% gain in April. The MSCI All Country Asia Pacific Index increased 0.17 points, or 0.12%, to 143.66.

Key Indicators

| EQUITIES BENCHMARK INDICES | | 18-Jun-14 | DoD change | WoW change | MoM change | Ytd change |
|--|--|-----------|------------|------------|------------|------------|
| Philippine Stock Exchange Index | | 6,703.13 | -0.03% | -1.56% | -1.68% | 13.81% |
| MSCI World USD Index | | 1,737.77 | 0.52% | 0.38% | 3.21% | 5.05% |
| MSCI All Country Asia Pacific ex-Japan Total Returns | | 398.64 | -0.39% | -1.22% | 0.75% | 6.32% |
| MSCI Europe USD Index | | 1,826.88 | 0.11% | -0.05% | 0.89% | 4.03% |
| FTSEurofirst 300 Index | | 1,387.44 | -0.02% | -0.30% | 1.90% | 5.57% |
| Dow Jones Industrial Average Index | | 16,906.62 | 0.58% | 0.37% | 2.52% | 2.60% |
| Standard & Poor's 500 Index | | 1,956.98 | 0.77% | 0.67% | 4.21% | 6.28% |
| YIELDS AND PRICES | | 18-Jun-14 | DoD change | WoW change | MoM change | Ytd change |
| 91-Day Philippine Treasury Bill Yield (PDST-F) | | 1.2708 | 0.00% | -0.01% | -0.01% | 0.78% |
| 1-Year Philippine Treasury Bill Yield (PDST-F) | | 1.8479 | -0.01% | -0.18% | -0.45% | 0.91% |
| ROP2021 (Price) | | 105.773 | (0.12) | (0.67) | (0.69) | 2.15 |
| ROP2034 (Price) | | 124.673 | (0.92) | (2.31) | (4.87) | 5.12 |
| 3-Month US Treasury Yield | | 0.0152 | -0.02% | -0.02% | 0.00% | -0.05% |
| 2-year US Treasury Yield | | 0.4435 | -0.04% | 0.01% | 0.08% | 0.06% |
| 10-year US Treasury Yield | | 2.5844 | -0.07% | -0.06% | 0.06% | -0.42% |
| 30-year US Treasury Yield | | 3.4008 | -0.04% | -0.07% | 0.05% | -0.54% |
| 3-Month German Treasury Bill Yield | | -0.048 | 0.02% | -0.01% | -0.06% | -0.11% |
| Brent Crude Oil Spot (\$/bbl) | | 109.36 | 0.00% | 0.00% | 0.00% | 0.00% |
| Dubai Crude Oil Spot (\$/bbl) | | 110.03 | 0.80% | 4.05% | 4.13% | 1.23% |
| 1-month Nymex oil futures (\$/bbl) | | 105.97 | -0.37% | 1.50% | 3.87% | 5.63% |
| Gold Spot (\$/oz) | | 1,277.68 | 0.55% | 1.32% | -1.22% | 5.30% |
| USD/PHP (PDEX close) | | 44.120 | 0.25 | 0.30 | 0.37 | (0.28) |

Source: Bloomberg

Asian Equity Markets

| Asia Pacific Markets | | | | | |
|--------------------------------|----------------------------|-----------|------------|----------|--------|
| Last Trade as of June 18, 2014 | | | | | |
| Country | Index | Value | DoD Change | % Change | |
| Asia Pacific | MSCI AC Asia Pacific Index | 143.66 | + | 0.17 | + 0.12 |
| Australia | S&P/ASX 200 Index | 5,382.72 | - | 17.95 | - 0.33 |
| China | Shanghai SE Comp Index | 2,055.52 | - | 11.18 | - 0.54 |
| Hong Kong | Hang Seng Index | 23,181.72 | - | 21.87 | - 0.09 |
| India | SENSEX | 25,246.25 | - | 274.94 | - 1.08 |
| Indonesia | Jakarta Composite Index | 4,887.86 | - | 21.66 | - 0.44 |
| Japan | Nikkei 225 | 15,115.80 | + | 139.83 | + 0.93 |
| Malaysia | KLCI | 1,876.58 | + | 1.98 | + 0.11 |
| New Zealand | NZX 50 Index | 5,184.46 | - | 9.04 | - 0.17 |
| Singapore | Straits Times Index | 3,276.80 | + | 2.36 | + 0.07 |
| South Korea | KOSPI | 1,989.49 | - | 12.06 | - 0.60 |
| Taiwan | TWSE | 9,279.93 | + | 39.33 | + 0.43 |
| Thailand | SET Index | 1,451.36 | - | 19.66 | - 1.34 |

Local Bond Market

| Peso Interest Rates (PDEX PDST-R2) | | | | | | | | |
|------------------------------------|-----------|-----------|------------|-------|-----------|-----------|------------|---------|
| | 18-Jun-14 | 17-Jun-14 | Difference | | 18-Jun-14 | 17-Jun-14 | Difference | |
| 1 month | 1.1350 | 1.2500 | - | 0.115 | 4 year | 3.0571 | 3.1221 | - 0.065 |
| 3 month | 1.1000 | 1.1000 | | 0.000 | 5 year | 3.4500 | 3.4250 | + 0.025 |
| 6 month | 1.2750 | 1.2389 | + | 0.036 | 7 year | 3.8000 | 3.8000 | 0.000 |
| 1 year | 1.6750 | 1.6688 | + | 0.006 | 10 year | 3.9500 | 3.9000 | + 0.050 |
| 2 year | 2.4843 | 2.4593 | + | 0.025 | 20 year | 4.9250 | 4.9000 | + 0.025 |
| 3 year | 2.7950 | 2.7537 | + | 0.041 | 25 year | 5.1254 | 5.1622 | - 0.037 |

Upcoming Economic Releases

| Date | Philippines | Period Covered | Date | US | Period Covered |
|-----------|---|----------------|-----------|--|----------------|
| 6/19/2014 | Philippines BOP | May | 6/19/2014 | US Initial Jobless Claims SA | Jun 14 |
| 6/19/2014 | Philippines Overnight Reverse Repurchase Agreement RRP Rate | Jun 19 | 6/19/2014 | Conference Board US Leading Index MoM | May |
| 6/25/2014 | Philippines External Balance of Trade | Apr | 6/23/2014 | US Existing Homes Sales SAAR | May |
| 6/25/2014 | Philippines External Trade Imports YoY | Apr | 6/24/2014 | Conference Board Consumer Confidence SA 1985=100 | Jun |
| 6/25/2014 | Philippines External Trade Imports | Apr | 6/25/2014 | Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth | Jun 13 |
| | | | 6/25/2014 | GDP US Chained 2009 Dollars QoQ SAAR | 1Q T |
| | | | 6/25/2014 | US Durable Goods New Orders Industries MoM SA | May |
| | | | 6/26/2014 | US Personal Income MoM SA | May |
| | | | 6/26/2014 | US Personal Consumption Expenditures Nominal Dollars MoM SA | May |
| | | | 6/27/2014 | University of Michigan Survey of Consumer Confidence Sentiment | Jun F |

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