

## Local

November 3, 2014

- The local equities market continued its three day winning streak as US economic growth beat market estimates. The PSEi gained 44.74 points, or 0.62% to close at 7,215.73. All counters ended in positive territory led by industrials (+0.92%) and services (+0.89%). Market breadth was positive with 100 advances outnumbering 72 declines, while 47 issues remained unchanged. Total value turnover reached Php9.71 billion. Foreign investors were net buyers at Php696 million.
- The GMR-Megawide Cebu Airport Corp (GMCAC) began terminal operations of Mactan Cebu International Airport (MCIA) on Saturday, while the MCIAA increased passenger service charges (PSC) in order to help fund new investments in the face of growing airline and passenger traffic. Domestic PSC rose from P200 to P220, and international PSC rose from P550 to P750. GMCAC says improvement of terminal operations will focus on reduction of congestion, improvement of the facility's ambiance, and enhancement of guest services. Construction of MCIA's Terminal 2 is scheduled for 1Q 2015.
- Philippine Long Distance Telephone Co (Ticker: TEL) spent P400 million to install underground fiber-optic cables in areas affected by Typhoon Yolanda, which plowed through the country late last year. Reportedly, TEL completed two fiber-in-the-loop (FITL) areas that will serve both fixed-line and wireless customers. The company's total fiber assets exceed 90,000 km, the most extensive network in the country.
- On the local fixed income market, prices of government securities gained on the back of easing inflationary pressures, slowing money supply growth and surprise monetary stimulus from the Bank of Japan. Yields on the belly and the long-end of the curve inched down by 1.6 and 2.0 basis points, respectively. Meanwhile, the short-end of the curve bucked the trend, climbing 6.5 basis points.
- The peso marginally appreciated versus the US Dollar as investors booked profits after the recent USD rally. Furthermore, quantitative easing measures from the Bank of Japan announced later during the day boosted demand for the currency. The USD/PHP currency pair gained 2 centavos to 44.880 as of today's close.

## US and Europe

- US equities gained ground on the back of better-than-expected 3Q 2014 GDP figure and after the Bank of Japan announced its stimulus initiative expansion that was followed by news that Japan's \$1.2 trillion Government Pension Investment Fund would increase its holdings of both domestic and international equities by \$150 billion. The S&P 500 climbed 23.4 points, or 1.2%, to close at 2,018.05, while the Dow Jones Industrial Average surged 195.10 points, or 1.1%, to close at 17,390.52.
- Reports from the US Commerce Department showed that US consumer spending in the U.S. unexpectedly dropped in September—this is the first reduction spending since January 2014. Overall, household spending contracted by 0.2% month-on-month, missing market estimates of +0.1%. The drop reflected a sharp decline in purchases of big-ticket items such as cars and refrigerators. Meanwhile, inflation-adjusted household spending on durable goods slumped 1.9% month-on-month, which is the deepest decline since September 2009.
- Consumer confidence in the US improved to 86.9, versus market estimate of 86.4 in October and previous figure of 84.6 in September. This is the third consecutive monthly gain and the highest level since July 2007.
- US Treasuries tumbled as investors demanded less of safe haven assets following the Bank of Japan's decision to effectively print more money, which sparked a broad risk-on rally in equities globally. The two-year note yield climbed 2.3 basis points to 0.491%, while the 10-year bond yield climbing three basis points to 2.33 percent.
- European stocks surged on the back of Bank of Japan's surprise announcement of additional stimulus measures. Mixed Continental data did little to dent the bullish sentiment. The FTSEurofirst300 index rose 1.84% to 1,351.96.
- The US Dollar appreciated 0.35% day-on-day relative to the Euro after the Bank of Japan announced late Friday that it would expand its asset-buying program. This announcement triggered a stronger dollar, where it traded at a six-year high against the yen. The BoJ will expand annual JGB purchases to ¥80 trillion from ¥50 trillion and extend the duration of bonds it holds to about 7-10 years. It will also triple both its purchases of ETFs, to ¥3 trillion, and Japan real estate investment trusts to ¥90 billion.

## Asia Pacific

- Asian markets continued to rally in response to the stimulus measures implemented by the Bank of Japan. The Japanese Nikkei reached a 7-year high as a result, climbing 4.83% or 755.56 points to close at 16,413.76. Country-specific factors also helped boost the Indian Sensex, Chinese Shanghai Composite, and Hong Kong Hang Seng Index, ending higher by 519.5, 29.1, and 296.02 points, respectively.

## Key Indicators

EQUITIES BENCHMARK INDICES	31-Oct-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,215.73	0.62%	1.58%	-0.92%	22.51%
MSCI World USD Index	1,708.09	1.12%	2.41%	0.57%	3.26%
MSCI All Country Asia Pacific ex-Japan Total Returns	401.77	0.84%	2.69%	2.74%	7.15%
MSCI Europe USD Index	1,640.22	1.07%	1.81%	-2.70%	-6.60%
FTSEurofirst 300 Index	1,351.96	1.84%	2.99%	-2.03%	2.87%
Dow Jones Industrial Average Index	17,390.52	1.13%	3.48%	2.04%	5.54%
Standard & Poor's 500 Index	2,018.05	1.17%	2.72%	2.32%	9.59%
YIELDS AND PRICES	31-Oct-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	1.4354	0.01%	0.04%	-0.28%	0.94%
1-Year Philippine Treasury Bill Yield (PDST-F)	1.8875	0.01%	0.00%	-0.29%	0.95%
ROP2021 (Price)	107.137	(0.09)	(0.32)	1.80	3.51
ROP2034 (Price)	131.237	(0.20)	(0.46)	5.36	11.68
3-Month US Treasury Yield	0.0051	0.00%	0.00%	-0.01%	-0.06%
2-year US Treasury Yield	0.4914	0.02%	0.11%	-0.08%	0.10%
10-year US Treasury Yield	2.3353	0.03%	0.07%	-0.15%	-0.66%
30-year US Treasury Yield	3.0662	0.02%	0.02%	-0.13%	-0.87%
3-Month German Treasury Bill Yield	-0.138	-0.00%	-0.02%	-0.05%	-0.20%
Dubai Crude Oil Spot (\$/bbl)	83.24	-2.06%	-0.51%	-12.85%	-23.42%
1-month Nymex oil futures (\$/bbl)	80.54	-0.71%	-0.58%	-11.65%	-19.72%
Gold Spot (\$/oz)	1,173.48	-2.11%	-4.66%	-2.87%	-3.29%
USD/PHP (PDEX close)	44.880	(0.02)	0.07	0.01	0.48

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
Last Trade as of October 31, 2014					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	140.33	0.00	0.00	
Australia	S&P/ASX 200 Index	5,526.60	+	50.40	+ 0.92
China	Shanghai SE Comp Index	2,420.18	+	29.10	+ 1.22
Hong Kong	Hang Seng Index	23,998.06	+	296.02	+ 1.25
India	SENSEX	27,865.83	+	519.50	+ 1.90
Indonesia	Jakarta Composite Index	5,089.55	+	30.70	+ 0.61
Japan	Nikkei 225	16,413.76	+	755.56	+ 4.83
Malaysia	KLCI	1,855.15	+	12.37	+ 0.67
New Zealand	NZX 50 Index	5,387.83	+	17.65	+ 0.33
Singapore	Straits Times Index	3,274.25	+	39.94	+ 1.23
South Korea	KOSPI	1,964.43	+	5.50	+ 0.28
Taiwan	TWSE	8,974.76	+	86.69	+ 0.98
Thailand	SET Index	1,584.16	+	18.81	+ 1.20

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)								
	31-Oct-14	30-Oct-14	Difference		31-Oct-14	30-Oct-14	Difference	
1 month	1.3188	1.2448	+ 0.074	4 year	2.8750	2.8642	+ 0.011	
3 month	1.4000	1.2125	+ 0.188	5 year	3.4725	3.4750	- 0.002	
6 month	1.5000	1.5000	0.000	7 year	3.8000	3.8250	- 0.025	
1 year	1.7000	1.7000	0.000	10 year	3.9996	4.0167	- 0.017	
2 year	2.3011	2.3750	- 0.074	20 year	4.4881	4.5276	- 0.039	
3 year	2.4146	2.4023	+ 0.012	25 year	4.7738	4.7762	- 0.002	

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
11/5/2014	Philippines CPI All items YoY% 2006=100	Oct	11/3/2014	ISM Manufacturing PMI SA	Oct
11/5/2014	Philippines CPI All items MoM% 2006=100	Oct	11/4/2014	US Trade Balance of Goods and Services SA	Sep
11/5/2014	Philippines Core Inflation YoY 2006=100	Oct	11/4/2014	US Manufacturers New Orders Total MoM SA	Sep
11/7/2014	Philippines Gross Intl Reserves	Oct	11/5/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Oct 31
11/11/2014	Philippines External Trade Exports YoY	Sep	11/5/2014	ADP National Employment Report SA Private Nonfarm Level Change	Oct
11/11/2014	Philippines External Trade Exports	Sep	11/6/2014	US Initial Jobless Claims SA	Nov 1
			11/7/2014	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Oct
			11/7/2014	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Oct
			11/14/2014	Adjusted Retail & Food Services Sales SA Total Monthly % Change	Oct
			11/14/2014	University of Michigan Survey of Consumer Confidence Sentiment	Nov P

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