

Local

- Local equities rebounded Friday after Moody's Investors upgraded the country's rating to Baa2 from Baa3. The PSEi gained 152.11 points, or 2.15%, to close at 7,224.21. All sectors ended in positive territory led by services (2.75%), property (2.60%), and financials (2.39%). Market breadth was positive, with 128 advances beating 49 declines, while 44 issues remained unchanged. Total value traded improved to Php11.61 billion. Foreign investors were net sellers at Php920 million.
- Philippine Long Distance Telephone Co. (PSE Ticker: TEL) expects its fourth quarter earnings to be weighed down by its free internet offering. According to TEL President Napoleon Nazareno, PLDT's seasonally strong fourth quarter is still likely to be better than third quarter, albeit tempered by the promotional initiatives introduced late last quarter. PLDT's free internet offering is available to prepaid subscribers until January 5 of next year. PLDT maintains its profit guidance for this year at Php37 billion, which was downwardly revised from Php39.5 billion, after TEL's third quarter net income disappointment.
- The Philippine Dealing and Exchange Corp. (PDEX) expects infrastructure companies to drive new listings next year after the record-high volume registered in 2014. PDEX Chairman Cesar Crisol expects another company to list its debt securities before the conclusion of 2014. This will lead to a record-high annual aggregate listing size of just below the Php200 billion mark for 2014. Year to date, the total amount of securities listed at PDEX registered at Php189.75 billion, after factoring in Philippine National Bank's (PNB) Php7 billion worth of long-term negotiable certificates of deposit listing last Friday. This is way above the exchange's target of Php175 billion for 2014 and the previous high of Php114.8 billion in 2012.
- On the local fixed income space, prices of government securities succumbed to profit taking following Thursday's rally on the back of Moody's credit rating upgrade and the BSP's downward revision of its inflation forecast for 2015. Yields went up by 1.78 basis points on average led by the short-end, which increased 7.1 basis points. On the other hand, the belly dipped by 1.0 basis point while long-ends dropped 0.7 basis points.
- The Philippine peso continued to depreciate against the greenback after the US released positive economic data. The peso lost 10 centavos to close at 44.580.

US and Europe

- US equities suffered its largest day-on-day loss on Friday as investors shrugged off positive US economic data releases and instead focused on the plunge in oil prices and a slowing global growth. Prices of Brent crude oil failed to recover after falling to a 5-year low last Thursday. Oil prices plunged to US\$58 per barrel weighed down by the report that global demand will continue to weaken next year, based on latest projections of OPEC. The Dow Jones Industrial Average was spanked 315.51 points, or -1.8%, to 17,280.83. The S&P 500 surrendered 33.00 points, or -1.6%, to 2,002.33
- Falling oil prices and improving labor market has sent consumer confidence above its five-year average. The Thomson Reuters/University of Michigan preliminary December index of consumer sentiment increased to 93.8 from 88.8 last month. The median projection in a Bloomberg survey of 69 economists called for an advance to 89.5. Falling oil prices have freed up disposable income for households while sustained hiring combined with faster wage growth is providing the impetus for further retail sales gains.
- Strong retail sales in November may underpin acceleration in consumer spending in the last quarter of the year. Retail sales excluding automobiles, gasoline, building materials and food services, increased 0.6% last month after rising 0.5% in October, the Commerce Department reported. November's increase exceeded Wall Street's expectations for a 0.4% gain.
- Lingering concerns on sustained decline in oil prices have encouraged flight-to-safety stance among investors, boosting demand for US treasuries. Despite talks of a possible earlier-than-expected liftoff, global uncertainties arising from soft oil prices and fiscal problems elsewhere have kept the 10-year note well-below the 3.0% level seen last year. The 10-year bond yield continued to fall to 2.0817%, 8.03 basis points lower DoD.
- European markets stumbled to their biggest weekly loss since mid-2011, weighed by oil's persistent woes. Companies with a significant exposure to Russia took a beating as the Russian ruble dropped to a new low of almost 58 to the dollar. The FTSEurofirst 300 index slumped 35.7 points, or -2.6%, to 1,321.73, erasing nearly all its 2014 gains.
- The Euro strengthened against the greenback last Friday despite the poor TLTRO and the diverging paths of monetary policies. The EUR/USD pair closed at 1.2453, etching a +0.62% gain versus Thursday's close.

Asia Pacific

- The MSCI All Country Asia Pacific Index bounced back from previous lows, gaining 0.39 points, or +0.29%, to 137.11. The price of benchmark US crude oil fell to US\$57.81 per barrel last Friday, a 3.57% drop versus its previous day price. Hong Kong's Hang Seng Index slid 0.27% to 23,249.20 after China's economy displayed signs of weakness. Japan's Nikkei on the other hand jumped 0.66% to 17,371.58, ending a three day losing streak ahead of the snap elections which was held on December 14 (Sunday). In China, investors bet on further monetary easing after industrial output data underperformed expectations. As a result, the Shanghai Composite increased by 0.42%, or 12.43 points to end the week at 2,938.17. India's S&P BSE Sensex on the other hand shed 251.33 points, or 0.91%, to 27,350.68 as declining oil prices hurt energy stocks.

Key Indicators

EQUITIES BENCHMARK INDICES	12-Dec-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,224.21	2.15%	-0.09%	-0.12%	22.66%
MSCI World USD Index	1,675.04	-1.41%	-3.65%	-2.33%	1.26%
MSCI All Country Asia Pacific ex-Japan Total Returns	381.98	-0.17%	-2.71%	-4.00%	1.87%
MSCI Europe USD Index	1,597.50	-2.01%	-4.62%	-1.68%	-9.03%
FTSEurofirst 300 Index	1,321.73	-2.63%	-5.94%	-1.61%	0.57%
Dow Jones Industrial Average Index	17,280.83	-1.79%	-3.78%	-1.88%	4.87%
Standard & Poor's 500 Index	2,002.33	-1.62%	-3.52%	-1.76%	8.74%

YIELDS AND PRICES	12-Dec-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	2.2604	0.23%	0.44%	0.68%	1.77%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.4750	0.09%	0.22%	0.50%	1.54%
ROP2021 (Price)	108.425	(0.11)	(0.15)	1.27	4.80
ROP2034 (Price)	134.213	(0.50)	(0.06)	2.64	14.66
3-Month US Treasury Yield	0.0152	-0.01%	0.01%	0.01%	-0.05%
2-year US Treasury Yield	0.5401	-0.06%	-0.10%	0.00%	0.15%
10-year US Treasury Yield	2.0817	-0.08%	-0.22%	-0.29%	-0.92%
30-year US Treasury Yield	2.7372	-0.07%	-0.23%	-0.37%	-1.20%
3-Month German Treasury Bill Yield	-0.126	0.00%	-0.00%	-0.01%	-0.19%
Dubai Crude Oil Spot (\$/bbl)	59.90	-3.09%	-9.57%	-23.18%	-44.89%
1-month Nymex oil futures (\$/bbl)	57.81	-3.57%	-12.20%	-25.10%	-42.37%
Gold Spot (\$/oz)	1,222.50	-0.41%	2.51%	5.15%	0.75%
USD/PHP (PDEX close)	44.580	0.10	0.04	(0.29)	0.18

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets					
Last Trade as of December 12, 2014					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	137.11	+ 0.39	+ 0.29	
Australia	S&P/ASX 200 Index	5,219.57	- 11.40	- 0.22	
China	Shanghai SE Comp Index	2,938.17	+ 12.43	+ 0.42	
Hong Kong	Hang Seng Index	23,249.20	- 63.34	- 0.27	
India	SENSEX	27,350.68	- 251.33	- 0.91	
Indonesia	Jakarta Composite Index	5,160.43	+ 7.74	+ 0.15	
Japan	Nikkei 225	17,371.58	+ 114.18	+ 0.66	
Malaysia	KLCI	1,732.99	- 11.58	- 0.66	
New Zealand	NZX 50 Index	5,514.95	+ 12.89	+ 0.23	
Singapore	Straits Times Index	3,324.13	+ 5.43	+ 0.16	
South Korea	KOSPI	1,921.71	+ 5.12	+ 0.27	
Taiwan	TWSE	9,027.33	+ 14.26	+ 0.16	
Thailand	SET Index	1,514.95	- 11.86	- 0.78	

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	12-Dec-14	11-Dec-14	Difference		12-Dec-14	11-Dec-14	Difference
1 month	2.1500	2.0457	+ 0.104	4 year	3.1250	3.2000	- 0.075
3 month	2.1000	2.0000	+ 0.100	5 year	3.2718	3.2480	+ 0.024
6 month	2.2250	2.1250	+ 0.100	7 year	3.7000	3.7000	0.000
1 year	2.2050	2.2250	- 0.020	10 year	3.6900	3.6781	+ 0.012
2 year	2.4650	2.4650	0.000	20 year	5.0000	5.0000	0.000
3 year	2.9250	2.9250	0.000	25 year	4.5019	4.5337	- 0.032

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
12/19/2014	Philippines BOP	Nov	12/15/2014	US Industrial Production MoM 2007=100 SA	Nov
12/23/2014	Philippines External Balance of Trade	Oct	12/16/2014	US New Privately Owned Housing Units Started by Structure Total SAAR	Nov
12/23/2014	Philippines External Trade Imports YoY	Oct	12/17/2014	Mortgage Bankers Association US Mortgage Market Index Weekly % Change SA Old Meth	Dec 12
12/23/2014	Philippines External Trade Imports	Oct	12/17/2014	US CPI Urban Consumers MoM SA	Nov
			12/18/2014	Federal Funds Target Rate - Upper Bound	Dec 17
			12/18/2014	US Initial Jobless Claims SA	Dec 13
			12/22/2014	US Existing Homes Sales SAAR	Nov
			12/23/2014	GDP US Chained 2009 Dollars QoQ SAAR	3Q T
			12/23/2014	US Durable Goods New Orders Industries MoM SA	Nov
			12/23/2014	University of Michigan Consumer Sentiment Index	Dec F

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