

## Local

- The local equities market rebounded above the 7,000 level yesterday after crude oil prices recovered overnight. The PSEi gained 63.07 points, or +0.91% to 7,029.28. All sub-indices ended higher except Mining and Oil (-0.78%) which retreated after two consecutive days of gains. Market breadth remained negative with 121 declines, 68 advances and 37 unchanged issues. Total value turnover reached Php8.97 billion. Foreign investors were once again net sellers at Php2.04 billion.
- Excise tax collections from tobacco and alcoholic beverages grew 40% year-on-year for the first nine months of the year. According to the Department of Finance, collections from “sin” taxes amounted to Php91.64 billion until September compared to Php65.45 billion in collections in the same period last year. Collections from tobacco firms contributed 71% to total or Php64.96 billion (+56.7% year-on-year or 90% higher than government target of Php34.16 billion). On the other hand, collections from alcohol products amounted to Php26.68 billion, or 11% higher than last year’s, albeit 12.19% lower than the government’s target of Php30.39 billion.
- Meralco (PSE Ticker: MER) sets goal to enlist up to 750 to 800 megawatts of Interruptible Load Program (ILP) capacity by end-January in preparation for the expected tight electricity supply next summer. ILP compensates heavy electricity users for using generator sets, or not sourcing electricity from the grid, during periods of poor supply. Target customers include shopping malls and factories. As of mid-December, Meralco has already signed up a total capacity of 264 megawatts from 76 ILP participants. The Department of Energy supports the initiative given that it is expected to help alleviate the projected 700 megawatt power generation deficit during summer of next year.
- Yields of local government securities continued to decline despite the anticipation of a selling spree in reaction to the Fed’s statement overnight. Yields on average slid by 1.11 basis points as the short-end of the curve declined by 4.9 basis points. The belly and long-end on the other hand inched upward by 0.5 and 1.2 basis points, respectively.
- The Philippine Peso weakened against the US Dollar on the back of hawkish comments from the Fed. Foreign investors also sold-off their holdings of Philippine assets, further pushing the Peso to depreciate. The Philippine peso depreciated by 2.5 centavos to end the day at 44.740.

## US and Europe

- US shares extended their rally borne from expectations that the US Federal Reserve is in no hurry to raise interest rates. The Dow Jones Industrial Average surged 421.28 points, or 2.4%, to 17,778.15. The S&P 500 spiked 48.34 points, or 2.4%, to 2,061.23
- The labor market has sustained its recovery in November. Initial jobless claims dipped 6,000 to a seasonally adjusted 289,000 in the week ended Dec. 13. The four-week moving average edged down 750 to 298,750, extending the longest stretch sub-300k since the first half of 2000. The number of people who continued to file for benefit claims dropped 147,000 to 2.373 million for the week ended Dec. 6.
- The Conference Board Leading Economic Index for the U.S. rose 0.6% in November to 105.5 from a downwardly revised increase of 0.6% in October.
- The strong rally in the equities market has sent prices of US treasuries lower. Investors in the fixed income market have echoed the belief of equity investors that rates will stay low for awhile. The two-year note yield added 1.43 basis points to 0.6313%. The 10-year bond yield rose 7.19 basis points to 2.2075%.
- European stocks rallied, fuelled by the reassurance from the Federal Reserve that it is not in a hurry to raise interest rates, bolstering sentiment amid concern over global outlook. The FTSEurofirst 300 index advanced by 3.00%, to 1,356.23.
- Overnight, the Swiss National Bank (SNB) imposed its first negative deposit rate since the 1970’s and mentioned further action to choke the flow of money coming from Russia’s financial crisis. The SNB also lowered its target range for the 3-month LIBOR in an attempt to pressure the rate below zero. The SNB move hints at the investment pressure that resulted after Russia’s surprise interest-rate increase failed to stem a run on the ruble.
- The Euro saw a strong sell-off after the Fed said that interest rates will increase some time in 2015, causing forex traders to enter into long positions for the US\$ on speculation for higher rates. The EUR/USD currency pair depreciated further by 0.56 cents to end the day at 1.2286.

## **Asia Pacific**

- The MSCI All Country Asia Pacific Index bounced back from recent lows, gaining 0.97 points, or +0.73%, to 134.65. Hong Kong's Hang Seng Index reversed losses, gaining 1.09% to 22,832.21 as property stocks was boosted by higher borrowing rates. India shares likewise increased by 1.56% to 27,126.57, halting a five-day losing streak, boosted by the Fed's stance on interest rates. Australia's ASX 200 also moved up, gaining 0.95%, to 5,210.78, fueled by the rally in the materials and energy sector. Likewise, Japan's Nikkei also rose by 2.32% to 17,210.05 on the back of the strengthening of the US Dollar against the Yen.

## Key Indicators

EQUITIES BENCHMARK INDICES	18-Dec-14	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	7,029.28	0.91%	-0.61%	-3.39%	19.35%
MSCI World USD Index	1,706.33	2.02%	0.43%	-1.27%	3.15%
MSCI All Country Asia Pacific ex-Japan Total Returns	375.87	0.85%	-1.77%	-4.74%	0.24%
MSCI Europe USD Index	1,615.09	1.98%	-0.93%	-2.23%	-8.03%
FTSEurofirst 300 Index	1,356.23	3.00%	-0.09%	-0.29%	3.19%
Dow Jones Industrial Average Index	17,778.15	2.43%	1.03%	0.51%	7.89%
Standard & Poor's 500 Index	2,061.23	2.40%	1.27%	0.46%	11.94%

  

YIELDS AND PRICES	18-Dec-14	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-F)	2.4023	0.07%	0.37%	0.88%	1.91%
1-Year Philippine Treasury Bill Yield (PDST-F)	2.6045	0.07%	0.22%	0.63%	1.67%
ROP2021 (Price)	108.221	0.21	(0.31)	0.76	4.60
ROP2034 (Price)	133.303	0.60	(1.41)	1.16	13.75
3-Month US Treasury Yield	0.0355	0.02%	0.02%	0.03%	-0.03%
2-year US Treasury Yield	0.6313	0.01%	0.03%	0.13%	0.24%
10-year US Treasury Yield	2.2075	0.07%	0.05%	-0.11%	-0.79%
30-year US Treasury Yield	2.8182	0.09%	0.01%	-0.22%	-1.12%
3-Month German Treasury Bill Yield	-0.146	-0.03%	-0.02%	-0.05%	-0.21%
Dubai Crude Oil Spot (\$/bbl)	58.80	5.06%	-4.87%	-22.56%	-45.90%
1-month Nymex oil futures (\$/bbl)	54.11	-4.18%	-9.74%	-27.48%	-46.06%
Gold Spot (\$/oz)	1,198.72	0.76%	-2.35%	0.14%	-1.21%
USD/PHP (PDEX close)	44.740	0.02	0.26	(0.23)	0.34

Source: Bloomberg

## Asian Equity Markets

Asia Pacific Markets					
Last Trade as of December 18, 2014					
Country	Index	Value	DoD Change	% Change	
Asia Pacific	MSCI AC Asia Pacific Index	134.65	+ 0.97	+ 0.73	
Australia	S&P/ASX 200 Index	5,210.78	+ 48.92	+ 0.95	
China	Shanghai SE Comp Index	3,057.52	- 3.50	- 0.11	
Hong Kong	Hang Seng Index	22,832.21	+ 246.37	+ 1.09	
India	SENSEX	27,126.57	+ 416.44	+ 1.56	
Indonesia	Jakarta Composite Index	5,113.35	+ 77.70	+ 1.54	
Japan	Nikkei 225	17,210.05	+ 390.32	+ 2.32	
Malaysia	KLCI	1,699.95	+ 18.05	+ 1.07	
New Zealand	NZX 50 Index	5,518.48	+ 21.89	+ 0.40	
Singapore	Straits Times Index	3,243.65	+ 16.42	+ 0.51	
South Korea	KOSPI	1,897.50	- 2.66	- 0.14	
Taiwan	TWSE	8,878.63	+ 50.27	+ 0.57	
Thailand	SET Index	1,516.79	+ 36.59	+ 2.47	

## Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	18-Dec-14	17-Dec-14	Difference		18-Dec-14	17-Dec-14	Difference
1 month	1.7956	2.1713	- 0.376	4 year	3.2500	3.2250	+ 0.025
3 month	2.2500	2.1769	+ 0.073	5 year	3.3833	3.3441	+ 0.039
6 month	2.3750	2.3750	0.000	7 year	3.9000	3.8500	+ 0.050
1 year	2.4000	2.2949	+ 0.105	10 year	3.8390	3.8022	+ 0.037
2 year	2.3626	2.5000	- 0.137	20 year	5.0000	5.0000	0.000
3 year	3.0500	3.0000	+ 0.050	25 year	4.5390	4.5386	+ 0.000

## Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
12/19/2014	Philippines BOP	Nov	12/22/2014	US Existing Homes Sales SAAR	Nov
12/23/2014	Philippines External Balance of Trade	Oct	12/23/2014	GDP US Chained 2009 Dollars QoQ SAAR	3Q T
12/23/2014	Philippines External Trade Imports YoY	Oct	12/23/2014	US Durable Goods New Orders Industries MoM SA	Nov
12/23/2014	Philippines External Trade Imports	Oct	12/23/2014	University of Michigan Consumer Sentiment Index	Dec F
			12/23/2014	US Personal Income MoM SA	Nov
			12/23/2014	US Personal Consumption Expenditures Nominal Dollars MoM SA	Nov
			12/24/2014	Mortgage Bankers Association US Mortgage Market Indx Weekly % Change SA Old Meth	Dec 12
			12/24/2014	US Initial Jobless Claims SA	Dec 13

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