

Local

- The local equities market rallied strongly as bargain hunters lifted most of the stocks. The PSEi rose 188.24 points, or +2.83%, to close at 6,846.44. All sectors ended in green, led by the holding firms (+3.09%) and the property sector (2.59%). Market breadth was positive with 119 advances outnumbering 58 declines while 47 issues remained unchanged. Total value turnover reached Php3.45 billion only. Foreigners were net buyers at Php269.19 million.
- Duterte administration is pushing for a Php3.8 trillion budget in 2018. The 2018 budget would be 14.6% higher than the 2017 budget signed a week ago at Php3.35 trillion, the highest by any administration so far. Out of the Php3.8 trillion proposed budget, infrastructure spending is expected to hit Php1.2 trillion or 6.8% of GDP. The proposed budget for 2018 corresponds to 21.6% of GDP.
- Metro Pacific Investments Corp. (PSE ticker: MPI) increases stake in Tollways Management Corp. (TMC). MPIC's subsidiary, Metro Pacific Tollways Corp., acquired 53,200 shares of TMC from Egis Road Operation S.A. The company's interest in TMC was previously at 46% or 174,800 shares, the additional acquisition will increase their stake to 60% or 228,000 shares.
- Prices of local fixed income securities recovered slightly despite the widening of the country's budget deficit as investors opted to hunt for bargains. Yields fell by 1.18 bps on average, led by the belly which lost 15.9 bps and the long-end which declined by 6.4 bps. Meanwhile, the short-end rose by 21.1 bps.
- The Philippine Peso marginally depreciated against the US Dollar as news came out that the budget deficit of the country has widened for the month of November. The Peso fell by 0.01% to close at Php49.815 to a dollar.

US and Europe

- US equities fell due to light trading and investors locking gains before the year ends. Real estate further dragged the market as November pending home sales surprised negatively. The Dow Jones Industrial Average Index shed 111.36 points (0.56%) to 19,833.68 while the S&P 500 contracted by 0.84% and ended at 2,249.92.
- November's National Association of Realtors' pending home sales index fell 2.5% (mkt est: +0.5%) to 107.3, its lowest level in nearly a year, due to the uptrend in mortgage rates and insufficient inventory. Contracts jumped 0.6% in the Northeast but slipped 2.5%, 6.7%, and 1.2% in the Midwest, West and South, respectively.
- Consumer sentiment in the US for the last month of 2016 is highest since 2004. The University of Michigan's Index of Consumer Sentiment printed 98.2, higher than the expected 98. The report attributes such positive reading to consumers expecting a favorable impact of President-Elect Trump's policies on the economy; 18% are optimistic on Trumponomics, this is double the 1981 peak in Reagan's time.
- US Treasuries bounced back as stocks fell, given the disappointing housing report. Moreover, the five year note auction was strong with sales of USD34 billion at 2.057%, the highest yield since 2011, with bid-to-cover ratio reaching its 2-year high at 2.72. The two-year note yield fell 2.73bps to 1.254% while the 10-year bond yield dropped 5.16bps to 2.508%.
- Euro stocks ended mixed on fears on Italian bank instability and gains registered by the mining stocks. The European Central Bank found that the Banca Popolare di Milano Scarl (BPMS) has a capital shortfall of EUR8.8 billion, higher than the estimate of EUR5 billion, on the back of large deposit withdrawal in the past two months. The FTSEurofirst 300 Index rose 0.33% to 1,429.54 while the MSCI Europe USD Index fell to 1,450.15 (-0.31%).
- The US Dollar slightly strengthened against the Euro given thin trading and as US treasury yields declined from the disappointing US housing data. Moreover, uneasiness on Italian banks dampened sentiment on the Euro. The EUR/USD pair lost 0.19% to 1.0432.

Asia Pacific

- Asian equity indices were mixed as the MSCI AC Asia Pacific ex-Japan Index closed at 369.58, up by 0.22%. Foreign investors pushed Southeast Asian indices higher as funds returned to emerging markets. The biggest mover was Indonesia closing at 5,209.45, up by 106.49 points or 2.09%.

Key Indicators

EQUITIES BENCHMARK INDICES	28-Dec-16	DoD change	WoW change	MoM change	Ytd change
Philippine Stock Exchange Index	6,846.44	2.83%	2.39%	0.31%	-1.52%
MSCI World USD Index	1,750.48	-0.57%	-0.55%	2.19%	5.27%
MSCI All Country Asia Pacific ex-Japan Total Returns	369.58	0.22%	-0.94%	-2.84%	5.06%
MSCI Europe USD Index	1,450.15	-0.31%	-0.14%	4.61%	-4.76%
FTSEurofirst 300 Index	1,429.54	0.33%	0.22%	6.67%	-0.56%
Dow Jones Industrial Average Index	19,833.68	-0.56%	-0.54%	3.85%	13.82%
Standard & Poor's 500 Index	2,249.92	-0.84%	-0.67%	2.19%	10.08%
YIELDS AND PRICES	28-Dec-16	DoD change	WoW change	MoM change	Ytd change
91-Day Philippine Treasury Bill Yield (PDST-R2)	2.0944	0.10%	0.31%	0.37%	-0.57%
1-Year Philippine Treasury Bill Yield (PDST-R2)	2.7857	0.47%	0.29%	-0.92%	0.41%
ROP2021 (Price)	106.357	0.07	(0.00)	(0.42)	(2.00)
ROP2034 (Price)	129.764	0.05	0.27	(1.51)	(0.70)
3-Month US Treasury Yield	0.5076	-0.00%	0.01%	0.05%	0.34%
2-year US Treasury Yield	1.2540	0.03%	0.07%	0.16%	0.21%
10-year US Treasury Yield	2.5080	-0.05%	-0.03%	0.20%	0.24%
30-year US Treasury Yield	3.0931	-0.04%	-0.01%	0.12%	0.08%
3-Month German Treasury Bill Yield	-0.975	-0.02%	-0.04%	-0.17%	-0.44%
Dubai Crude Oil Spot (\$/bbl)	53.16	2.41%	1.59%	21.48%	65.45%
1-month Nymex oil futures (\$/bbl)	54.06	0.30%	2.99%	14.83%	45.95%
Gold Spot (\$/oz)	1,141.74	0.25%	0.90%	-4.38%	7.57%
USD/PHP (PDEX close)	49.815	0.00	(0.18)	0.10	2.76

Source: Bloomberg

Asian Equity Markets

Asia Pacific Markets						
Last Trade as of		December 28, 2016				
Country	Index	Value	DoD Change		% Change	
Asia Pacific	MSCI AC Asia Pacific Index	134.54	+	0.33	+	0.25
Australia	S&P/ASX 200 Index	5,685.02	+	57.12	+	1.01
China	Shanghai SE Comp Index	3,102.24	-	12.43	-	0.40
Hong Kong	Hang Seng Index	21,754.74	+	179.98	+	0.83
India	SENSEX	26,210.68	-	2.76	-	0.01
Indonesia	Jakarta Composite Index	5,209.45	+	106.49	+	2.09
Japan	Nikkei 225	19,401.72	-	1.34	-	0.01
Malaysia	KLCI	1,630.30	+	10.62	+	0.66
New Zealand	NZX 50 Index	6,875.79	-	1.20	-	0.02
Singapore	Straits Times Index	2,898.30	+	12.54	+	0.43
South Korea	KOSPI	2,024.49	-	17.68	-	0.87
Taiwan	TWSE	9,201.40	+	92.13	+	1.01
Thailand	SET Index	1,524.60	+	7.52	+	0.50

Local Bond Market

Peso Interest Rates (PDEX PDST-R2)							
	28-Dec-16	27-Dec-16	Difference		28-Dec-16	27-Dec-16	Difference
1 month	1.9089	1.8893	+ 0.020	4 year	3.8956	3.9133	- 0.018
3 month	2.0944	1.9988	+ 0.096	5 year	4.7818	4.8214	- 0.040
6 month	2.3151	2.0534	+ 0.262	7 year	4.9279	4.9604	- 0.032
1 year	2.7857	2.3180	+ 0.468	10 year	4.5957	4.7334	- 0.138
2 year	3.9750	4.0725	- 0.097	20 year	5.4857	5.5393	- 0.054
3 year	3.5150	4.1232	- 0.608				

Upcoming Economic Releases

Date	Philippines	Period Covered	Date	US	Period Covered
12/29/2016	Philippines Commercial Banks Loans Outstanding Total Gross YoY	Nov	12/29/2016	US Initial Jobless Claims SA	Dec 24
12/29/2016	Philippines Commercial Banks Loan Outstanding Total Net YoY	Nov	12/30/2016	MNI Chicago Business Barometer (sa)	Dec
1/5/2017	Philippines CPI All items YoY% 2006=100	Dec	1/3/2017	ISM Manufacturing PMI SA	Dec
1/5/2017	Philippines CPI All items MoM% 2006=100	Dec	1/4/2017	MBA US US Mortgage Market Index Weekly % Change SA Old Meth	Dec 30
1/5/2017	Philippines Core Inflation YoY 2006=100	Dec	1/5/2017	ADP National Employment Report SA Private Nonfarm Level Change	Dec
1/6/2017	Philippines Gross Intl Reserves	Dec	1/6/2017	US Employees on Nonfarm Payrolls Total MoM Net Change SA	Dec
			1/6/2017	US Durable Goods New Orders Industries MoM SA	Nov F
			1/6/2017	U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted	Dec
			1/6/2017	US Manufacturers New Orders Total MoM SA	Nov
			1/6/2017	US Trade Balance of Goods and Services SA	Nov

Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones, The Wall Street Journal, CNBC