

May 20, 2019

## LOCAL MARKETS

The local equities market rebounded as traders add position on market dips. Local fixed income yields slightly rose, while the Philippine peso weakened as market participants respond to the BSP's 2% cut on the Reserve Requirement Ratio for banks.

### Key Events

- ✓ **BDO Unibank, Inc. (PSE ticker: BDO)** disclosed that the bank completed the sale of a 15% stake in One Network Bank, Inc. (ONB) to Osmanthus Investment Holdings Pte. Ltd. Osmanthus is a unit of Archipelago Capital Partners Pte. Ltd., a Singaporean private equity firm. ONB is the biggest rural bank in the Philippines by assets with Php 27.3 bn as of end of 2018.
- ✓ The **Department of Finance (DOF)** Secretary Carlos G. Dominguez III said that the proposed increase in cigarette tax from Php 35 to Php 60 per pack is intended to kill the Philippine cigarette industry. He highlighted that tobacco farmers should be planting other good crops instead of tobacco. The increase in sin tax is intended to fund the Universal Healthcare (UHC) law signed by President Duterte. DOF projects that the UHC will have a total funding gap of Php 426 bn in its first four years of implementation if tax increase on tobacco and alcoholic beverages is not passed.

### Equities

- ✓ The **local equities market** rebounded on Friday as traders add position on market dips. Overall sentiment was also buoyed by Bangko Sentral ng Pilipinas' decision to cut reserve requirement ratios for big banks. Net foreign selling continued with USD 26.34 mn. The PSEi rose to 7,583.82 (+1.45% DoD).

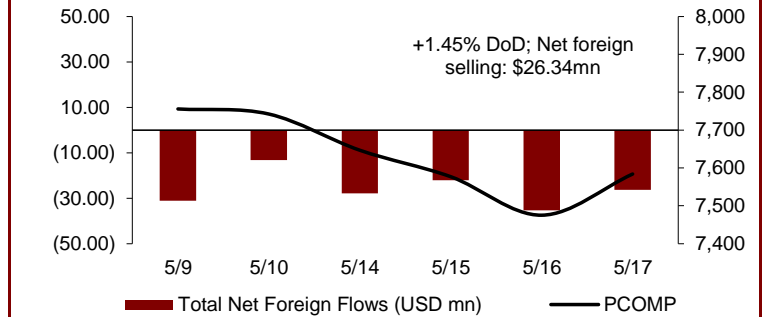
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0060	5.5140	5 years	+0.0130	5.7390
6 months	-0.0050	5.7840	7 years	+0.0260	5.7630
1 year	+0.0010	5.9680	10 years	+0.0530	5.7880
2 years	+0.0130	5.7940	20 years	+0.0280	5.9510
3 years	+0.0100	5.7580	30 years	+0.0110	6.0500
4 years	+0.0100	5.7400			

### Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.480	52.630	EUR/USD	1.1206	1.1206

### PSEi Snapshot



<b>Previous:</b>	7,475.2	<b>PSEi change:</b>	1.45%
<b>High:</b>	7,636.9	<b>Best:</b>	SECB +8.02%
<b>Low:</b>	7,482.5	<b>2nd best:</b>	ICT +4.01%
<b>Close:</b>	7,583.8	<b>2nd worst:</b>	PCOR -0.90%
<b>Val. traded (mn):</b>	6,865.2	<b>Worst:</b>	JFC -2.81%

### Fixed Income

- ✓ **Local fixed income yields** slightly increased as the market digests the impact of the Reserve Requirement Ratio cut right after a policy rate cut. On average, yields slightly rose by 1.40bps.

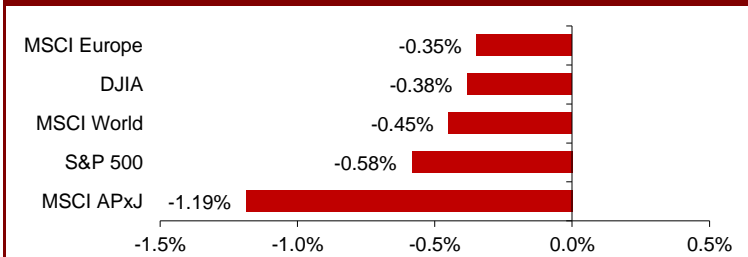
### Philippine peso

- ✓ The **Philippine Peso** closed at a seven-week low as market participants responded to the BSP's 2% Reserve Requirement Ratio cut. The USD/PHP ended at 52.63 (+0.29% DoD).

## OVERSEAS MARKETS

Global equity indices ended in negative territory after news that US and China trade negotiations may have reached a roadblock. UST yields fell while the US Dollar strengthened on the back of strong consumer data.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0133	2.3732	5 years	+0.0032	2.1728
6 months	-0.0056	2.4121	10 years	-0.0035	2.3909
2 years	+0.0059	2.1981	30 years	-0.0085	2.8253

- ✓ **US equities** moved back into red territory at the end of the week, on news that further discussions for further trade talks have been put on hold since the Trump administration increased scrutiny over Chinese companies, bringing back investor jitters. The DJIA closed at 25,764.00 (-0.38% DoD), while the S&P500 ended at 2,859.53 (-0.58% DoD).
- ✓ **Asian stocks** tumbled on the back of reports that negotiations between the US and China may have hit a roadblock after US increased scrutiny of Chinese telcos. The MSCI APxJ closed at 502.66 (-1.19% DoD).
- ✓ **European markets** edged lower ahead of the EU elections and speculations that the US-China trade war may have disrupted financial markets and destabilized German GDP and Eurozone CPI. The MSCI Europe closed at 128.71 (-0.35% DoD).
- ✓ **US Treasury yields** decreased despite strong US consumer sentiment data, as investors pivoted back towards safe haven assets amid the reescalation of tensions in the US-China trade spat. On average, yields were down by 0.36 bps, with the 10-year falling by 0.34 bps to 2.3909.
- ✓ **The US Dollar** strengthened despite negative developments in the US-China talks, with robust data on consumer sentiment (Act.: 102.4; Est.: 97.2) providing confidence in the resilience of the US economy. The DXY Index closed at 97.9950 (+0.14% DoD).