

January 11, 2019

LOCAL MARKETS

The local equities market rose, as foreign investors picked up blue chip names following their renewed confidence in the market. On the other hand, local fixed income yields fell as investor appetite for fixed income securities broadly increased. Lastly, the Philippine Peso strengthened as the Philippines' trade deficit in November narrowed.

Key Events

- ✓ The **Philippine Statistics Authority (PSA)** reported the country's trade deficit widened 18.9% YoY to \$3.901 billion. Data showed that merchandise exports declined 0.3%YoY to \$5.569 billion in November (-0.9% YTD) while import payments rose 6.8% YoY to \$9.469 billion last month (+15.8% YTD). Cumulatively, the country's trade balance posted a \$37.687 billion deficit for the 11-month period in 2018, 61% larger than in the period in 2017.
- ✓ **Metropolitan Bank & Trust Corp. (PSE Ticker: MBT)** expects its growth in 2019 to be "consistent" with last year's, given its size and tracking the economy's expansion. The bank also said it "should expect" its lending growth to likewise remain strong in 2019 despite seeing inflation tapering off. It is optimistic that more investors will place their funds in the local market, given the recent surge in said market.

Equities

- ✓ The **local equities market** continued to gain as foreign investors returned to market with renewed faith in local blue chips. The PSEI closed at 7,985.23 (+0.83% DoD).

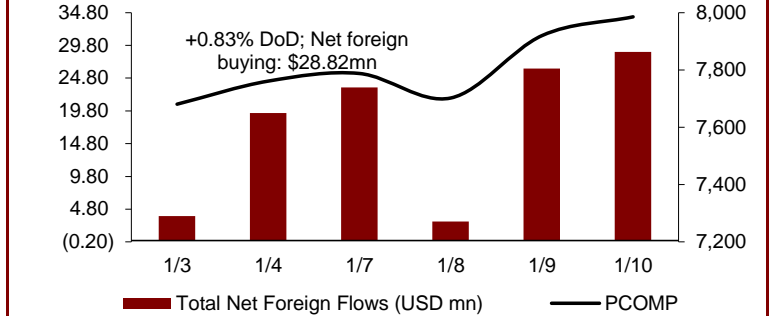
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0053	6.2431	5 years	-0.0841	6.6815
6 months	-0.0872	6.4539	7 years	-0.0867	6.7644
1 year	-0.1077	6.5566	10 years	-0.1892	6.7839
2 years	-0.0985	6.5756	20 years	+0.1510	7.4845
3 years	-0.0976	6.6053	30 years	-0.0290	7.3129
4 years	-0.0922	6.6336			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.345	52.225	EUR/USD	1.1452	1.1446

PSEi Snapshot



Previous:	7,919.7	PSEi change:	0.83%
High:	7,992.3	Best:	AP +6.96%
Low:	7,898.6	2nd best:	GLO +4.66%
Close:	7,985.2	2nd worst:	LTG -1.30%
Val. traded (mn):	7,618.3	Worst:	JFC -1.57%

Fixed Income

- ✓ **Local fixed income yields** fell across the board, as investors' appetite for fixed income securities continues to increase following the easing of inflation. On average, the curve fell 6.60 bps, led by the short-end which fell by 7.47bps.

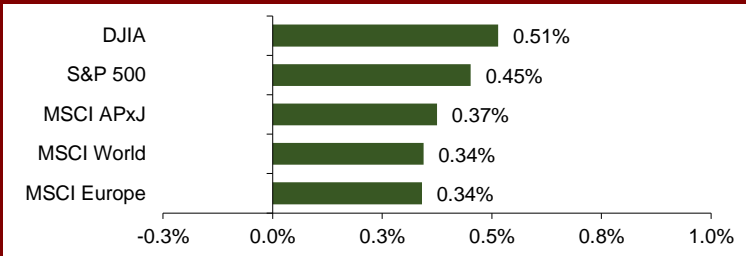
Philippine peso

- ✓ The **Philippine Peso** strengthened against the greenback on news that the Philippines' November trade deficit narrowed to US\$3.9bn from October's US\$4.2bn (+19% YoY). On a 11M18 basis, the deficit reached US\$37.7bn, wider by 61% YoY. The USD/PHP pair closed at 52.225 (-0.23% DoD).

OVERSEAS MARKETS

Global equities broadly rose as positive sentiment remains on the US-China trade war and the Fed's dovish statements. Meanwhile, US Treasury yields closed higher following the weak demand from the recent bond auction. Lastly, the US Dollar strengthened after US Fed Chair Powell signalled that the Fed further intends to shrink its balance sheet.

Global Markets



- ✓ **US equities** rose for a fifth consecutive session amid continued risk-on sentiment from US Fed's dovish tone and positive developments on US-China trade war. The DJIA closed at 24,001.92 (+0.51% DoD) while the S&P 500 ended at 2,596.64 (+0.45% DoD).
- ✓ **European stocks** rose on optimism from the US-China trade talks. However, the gains were capped by autos as the sector announce job losses. The MSCI Europe ended at 117.89 (+0.34% DoD).
- ✓ **Asian stocks** rose, on positive sentiment over the US-China trade talks, however the market seems to be looking for specific details behind the positive statements. However, gains were capped as China's PPI inflation sharply decelerated to 0.9% in December versus the 2.7% increase in November. The MSCI APxJ rose to 489.50 (+0.37% DoD).
- ✓ **US Treasury yields** closed higher following the 30-year bond auction which drew weak demand from investors. On average, yields rose 1.89 bps, with the 10-year climbing 3.21 bps to 2.7421%.
- ✓ **The US Dollar** strengthened after US Fed Chairman Jerome Powell confirmed that the Fed intends to further shrink its balance sheet, a monetary policy tightening action. The DXY ended at 95.5390 (+0.34% DoD).

US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0130	2.4224	5 years	+0.0201	2.5676
6 months	-0.0080	2.5046	10 years	+0.0321	2.7421
2 years	+0.0226	2.5755	30 years	+0.0598	3.0627