

September 18, 2020

LOCAL MARKETS

Local equities were flat and the Philippine peso weakened following the decision of the Fed to keep the policy rate at a low level. Local fixed income yields were mixed but rose on average as the market continued to expect upcoming bond issuances.

Key Events

- ✓ Data from the **Philippine Statistics Authority (PSA)** showed that the total gross revenue index, which measures sales earned by Philippine companies, declined 26.8% in 2Q2020. This was the steepest decline recorded as lockdown restrictions amid the pandemic disrupted business operations.
- ✓ **SM Investments Corp. (PSE Ticker: SM)** got the approval of the Securities and Exchange Commission for the shelf-registration of its Php30 billion bonds program. The company will initially offer fixed-rate bonds in the aggregate principal amount of Php5 bn, with an oversubscription option of up to Php5 bn. The offer is estimated to have net proceeds of Php9.89 bn which the company will use to refinance its existing debts.

Equities

- ✓ **Local equities** were flat as the market digested the decision of the Fed to keep its rates low until 2023. Day activities were met with tepid trading and minimal volatility after the policy statement. The PSEi closed at 5,943.52 (-0.05% DoD).

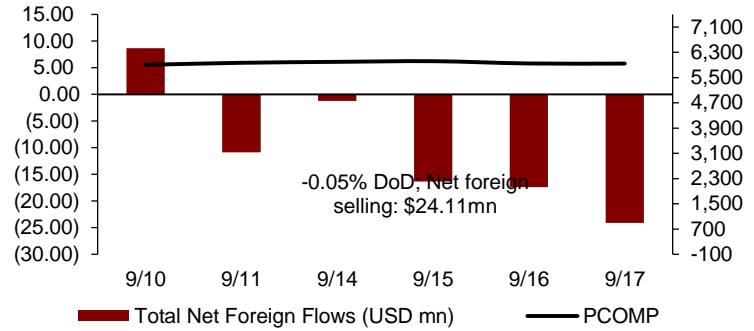
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0060	1.2080	5 years	-0.0100	2.7990
6 months	-	1.5200	7 years	-0.0130	2.9280
1 year	+0.0030	1.8380	10 years	-0.0430	2.9820
2 years	+0.0090	2.2130	20 years	+0.0420	3.9690
3 years	+0.0010	2.4630	30 years	+0.0310	3.9970
4 years	-0.0050	2.6590			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	48.385	48.510	EUR/USD	1.1816	1.1848

PSEi Snapshot



Previous:	5,946.6	PSEi change:	-0.05%
High:	0.0	Best:	PGOLD +3.04%
Low:	5,886.3	2nd best:	AC +2.44%
Close:	5,943.5	2nd worst:	JFC -2.33%
Val. traded (mn):	2,857.8	Worst:	MPI -3.41%

Fixed Income

- ✓ **Local fixed income yields** were mixed but mildly went up after the Federal Reserve's decision to maintain its dovish stance and as the market continued to anticipate new and upcoming bond issuances from the Bureau of the Treasury. On average, yields rose 0.19 bps DoD, led by the long-end which increased by 1.00 bps DoD.

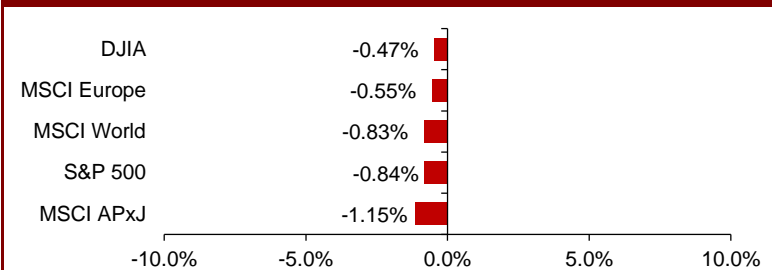
Philippine peso

- ✓ The **Philippine peso** weakened following the decision of the Federal Reserve to keep their policy rate near zero. The USD/PHP pair finished at 48.510 (+0.26% DoD).

OVERSEAS MARKETS

Global equities declined following the pessimistic outlook from the Federal Reserve. US Treasury yields declined following poor economic data. The US dollar weakened amid improving unemployment data.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0101	0.0837	5 years	-0.0048	0.2770
6 months	-0.0025	0.1091	10 years	-0.0082	0.6887
2 years	-0.0020	0.1350	30 years	-0.0202	1.4388

- ✓ **US equities** declined amid continued sell-off in tech shares. Facebook was down 3.3% and Amazon lost 2.3%, while Apple and Microsoft fell 1.6% and 1.0% respectively. The DJIA closed at 27,901.98 (-0.47% DoD) while the S&P 500 closed at 3,357.01 (-0.84% DoD).
- ✓ **Asian equities** dropped following the movement of the US equities amid negative sentiment over the view of the Fed on the slow economic recovery. The MSCI APxJ closed at 567.34 (-1.15% DoD).
- ✓ **European equities** declined as both the Federal Reserve and the Bank of England left rates unchanged. The negative view of both central banks also drove down overall sentiment. The MSCI Europe closed at 122.97 (-0.55% DoD).
- ✓ **US Treasury yields** declined following poor economic data from the US. The Philadelphia manufacturing in September fell to 15, following the 17.2 posted the month prior. On average, US Treasury yields declined by 0.80 bps DoD, with the 2Y ending at 0.1350% (-2.00 bps) and the 10Y closing at 0.6887% (-0.82 bps).
- ✓ The **US dollar** weakened, as the improvement of the US employment data boosted investor confidence a bit. The initial jobless claims for the week ended September 12 decreased to 860k from 884k reported last September 5. The DXY closed at 92.97 (-0.262% DoD).

