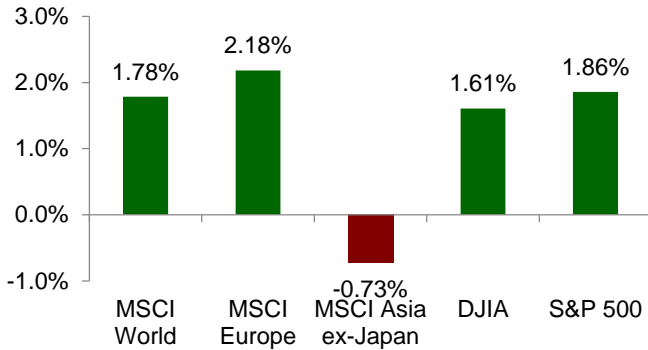


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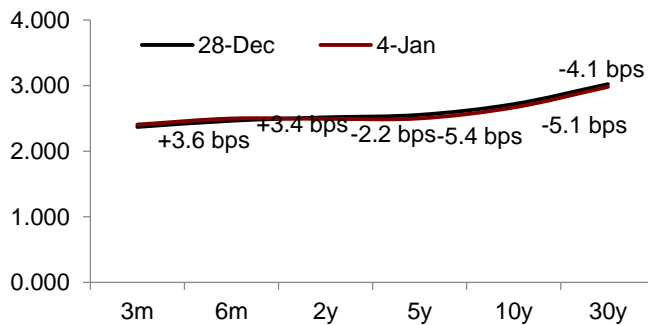
**Global equities were mixed as weaker-than-expected Chinese manufacturing data dampened sentiment in Asia while optimism returned to markets on developments in the US-China trade talks, dovish statements from Fed Chair Powell and upbeat US economic data. Meanwhile, global yields fell on risk-off sentiment on the release of weak economic data. Lastly, oil prices fell as the OPEC agreed to proceed with oil production cuts.**

### Global Equities

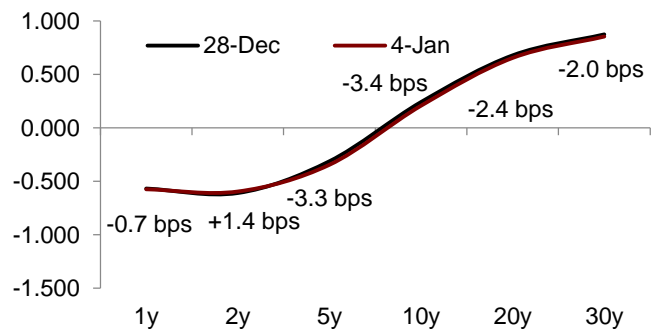


- ✓ **US equities** rose on positive sentiment regarding the US-China trade talks, dovish statements from Fed President Powell and robust data on US nonfarm payrolls. However, gains were capped as investors were jittery after the weaker-than-expected December Chinese manufacturing data. The DJIA closed at 23,433.16 (+1.61% WoW) while the S&P 500 closed at 2,531.94 (+1.86% WoW).
- ✓ **European equities** closed higher despite concerns regarding a global growth slowdown, with positive developments on US-China trade talks and upbeat US economic data. The MSCI Europe closed at 116.20 (+2.18% WoW).
- ✓ **Asian equities** declined, struggling to recover from the negative sentiment over the weaker-than-expected December Chinese manufacturing data. Losses were stemmed however, on recently positive developments in the US-China trade talks. The MSCI APxJ ended at 471.93 (-0.73% WoW).

### US Treasuries

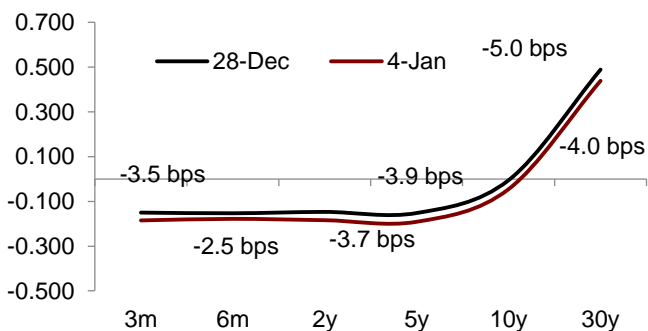


### German Bunds



- ✓ **US Treasury yields** declined on average during the week mainly due to investors' concerns over a global growth slowdown following weak US and Chinese manufacturing data. On average, yields fell by 1.64bps WoW.
- ✓ **German bund yields** fell as the Eurozone's manufacturing PMI declined, fanning worries over the effects of the US-China trade spat. On average, yields fell 1.73bps WoW.
- ✓ **Japanese bond yields** fell on risk-off sentiment, boosting investor demand for safe-haven assets. On average, yields fell 3.77bps WoW.
- ✓ **Key events that transpired during the week:**
  - ✓ Eurozone IHS Markit Manufacturing PMI came at 51.4 from 51.8 in November
  - ✓ China Caixin/Markit Manufacturing PMI came at 49.7 from 50.2 in November
  - ✓ US nonfarm payrolls came at 312,000 versus the consensus estimate of 184,000 for December

### Japanese Government Bonds



- ✓ **Global oil prices** began to climb as OPEC, Russia and other non-members agreed to reduce oil output by at least 1.2 million barrels per day (bpd) in 2019, with OPEC accounting for at least 800k bpd. Gains were capped however, as US and China economic data added to fears of a slowdown in global growth. Moreover, data from the US Energy Information Administration showed a sharp increase in product inventories as refiners ramped up utilization rates despite the declining count in US oil rigs. Brent crude rose 9.31% WoW to USD57.06/bbl, while WTI crude climbed 5.80% WoW, closing at USD47.96/bbl.

### Commodities

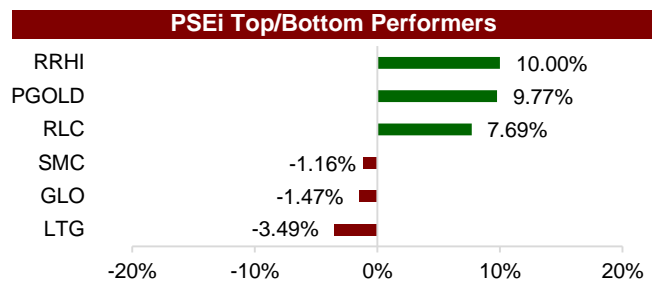
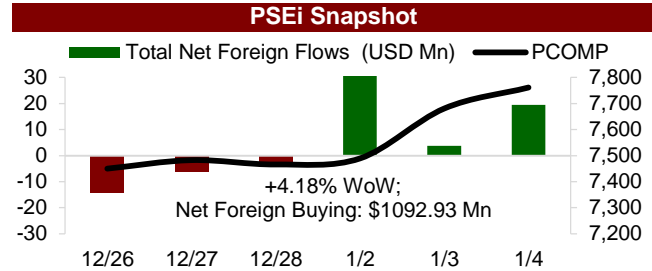
| \$bbl               | 4-Jan-2019 | % Change |
|---------------------|------------|----------|
| Brent               | 57.06      | 9.31%    |
| WTI                 | 47.96      | 5.80%    |
| BBG Commodity index | 78.34      | 0.96%    |



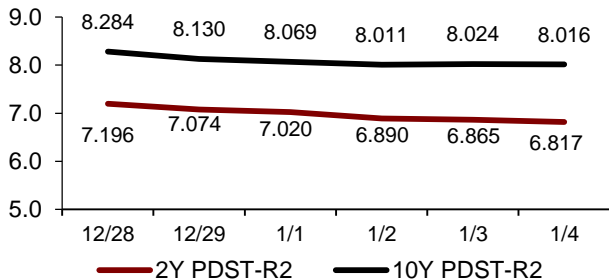
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**The Philippine Stock Exchange Index rose after the December inflation print surprised to the downside by 60bps. This news also significantly affected local fixed income yields which fell as market appetite is expected to increase. Meanwhile, the Philippine Peso strengthened on the back of upbeat US-China talks. The Euro fell against the US Dollar after US posted 312k new jobs last month.**

- ✓ The **Philippine Stock Exchange Index (PSEi)** started the year on a positive note, closing higher after the December inflation print surprised the market. The figure came out at 5.1% which was 60bps lower than expected (5.7%), due to the sharp drop in global crude oil prices and more directive management of the food supply. The PSEi closed at 7,761.11 (+3.95% WoW).
- ✓ The top performer of the week was **Robinsons Retail Holdings, Inc.** (PSE Ticker: RRHI), which rose 10.00% WoW. Listed consumer companies, like RRHI, are expected to greatly benefit from a better 2019 with improvement in inflation environment and expected election-related spending. Meanwhile, the worst performer of the week was LT Group, Inc. (PSE Ticker: LTG), down 3.49%.
- ✓ **Key events that transpired during the week:**
  - ✓ In the next two to three years, **Aboitiz Equity Ventures Inc. (PSE Ticker: AEV)** expects to invest around \$200 million for expansion and the upgrade of factories of its largest overseas business, Gold Coin Management Holdings Ltd (an Asia-Pacific animal feeds manufacturer). According to AEV Chief Financial Officer Manuel Lozano, the additional investment in Gold Coin could be funded by borrowings or internally generated cash.
  - ✓ **Aboitiz Power Corp. (PSE Ticker: AP)** subsidiary Davao Light and Power Company, Inc. (DLPC) is allocating P1.5 billion for capital expenditure this year, to be used for the second phase of its underground cable system in Davao City, for its rural electrification program in its franchise area, and for the enhancement of transmission systems, substations, and power lines.



### Local Bond Market Movements



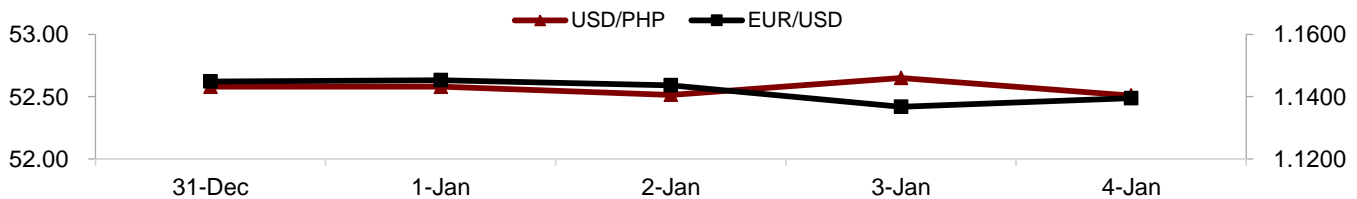
- ✓ The **Philippine Peso** strengthened after the release of weaker-than-expected inflation print and positive development on US-China news. Moreover, the US government shut down continued to weigh down on the greenback. The USD/PHP pair closed at 52.510 (-0.13% WoW).
- ✓ The **Euro** closed lower amid the release of upbeat US employment print: US added 312K new jobs in December, one of the highest readings of the last decade. Meanwhile, annual wage inflation rose to 3.2% and unemployment rate ticked up to 3.9% from 3.7% previously, with the participation rate increasing to 63.1%. The EUR/USD pair closed at 1.1395 (+0.43% WoW).

- ✓ **Local fixed income yields** declined as the Bureau of Treasury expected a pick-up in market appetite for long-term bonds after the December print showed disinflation. On average, the curve fell 1.81bps.
- ✓ **Key events that happened during the week:**
  - ✓ The **Bureau of Treasury (BoT)** reported that the national government's outstanding debt grew to a new high of P7.915trn as of 11M18, with growth driven by robust demand for long-dated Treasury bonds last Nov. Overall debt obligations as of end-Nov 2018 was higher by 11.8% YoY and 0.4% MoM. Debt-to-GDP ratio stood at 42.1% at end-2017 and is forecasted to settle at 38.8% by end-2022
  - ✓ The **Philippine Statistics Authority (PSA)** reported headline inflation dropped to 5.1% in December (vs 2.9% in 2017). According to the PSA, easing of inflation was helped by slower increases in food and transport prices. Full-year inflation was at 5.2%.

### Foreign Exchange

| Pair    | Previous Close 12/28/18 | Closing 01/04/19 |
|---------|-------------------------|------------------|
| USD/PHP | 52.580                  | 52.510           |
| EUR/USD | 1.1444                  | 1.1395           |

### Foreign Exchange



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

