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The

MARKET CALL

Capital Markets Research

FIRST METRO INVESTMENT CORPORATION
Metrobank Group

UA&P
UNIVERSITY OF ASIA AND THE PACIFIC

FMIC and UA&P Capital Markets Research

Executive Summary

Foreign Direct Investments (FDI) hit record $7.9 B with a 40% gain from 2015.

- Investment-led growth remains intact as capital goods imports surge by 37% in December.
- Broad-based manufacturing output in December surges by 23%.
- 23% growth in January exports boost economy's strength.
- PDU30 administration ramps up non-interest spending by 16.8% in 2016.

Macroeconomy

An investment-driven economy takes shape, as capital goods imports and the industrial sector expansion continued to drive economy's growth.

- Investment spending leads the way into 2017 déjà vu as capital goods imports shoots up by 37%.
- FDI doubles in December to reach full year of $7.9 B, 40% higher than $5.6 B in 2015.
- Manufacturing production expanded by 23% in January fueled by higher investments.
- National Government spending up by 18.8% in December, bringing 2016 deficit to 2.4% of GDP.
- Inflation rises to 3.3% in February, but stays within 3-4% target of the central bank.
- ***Outlook: Q1 GDP should increase by at least 6.5% with manufacturing and NG spending on a roll. Going forward, much depends on whether anti-mining Environment Secretary Gina Lopez gets confirmed or reappointed. Inflation would unlikely sustain rise as oil prices have softened.***

Bonds Market

Trading in the bond markets slowed for the month as markets anticipate higher interest rates. Risk-off sentiment weighed heavily on investors at the GS auctions.

- Bond investors avoided T-bill auctions in terms of bids made and higher asked yields (up +40 bps).
- Secondary trading slowed by 2% from the rally in January.
- Yield curve flattens slightly as shorter tenors move up faster than at the long end of curve.
- Corporate bond trades improve 25% year-on-year in February.
- ***Outlook: With a Fed rate hike nearly sure in March and one to two more to come for the year, interest rates have likely seen the bottom, even though domestic yields won't suddenly shoot up.***

Equities Market

With the presence of investor uncertainty, a net selling trend took place, shaving 17.6 points off the PSEi.

- Local share prices have paused in February with minimal 0.2% easing.
- Financial and Mining & Oil sectors performed best as they rose by 1.5% and 1.1%, respectively. BPI (+4.9%) and SCC (+5.3%) led their respective sectors with top gains.
- Property shares showed "worst" record with just a 1% decline.
- Foreign investors remained net sellers to the tune of P5.2 B (~ $100 M).
- ***Outlook: Market has shifted to a consolidation mode since there are no major positive catalysts in sight, while headwinds cloud the environment. Search for value stocks (esp. in banking, consumer and energy sectors) would be sound investment strategy.***

Economic Indicator (% change, latest month, unless otherwise stated)	Previous Month	Latest Month	Year-to-Date	2015 (year-end)	2016 (year-end)	2017 FMIC Forecast*
GDP Growth (y-o-y, quarterly)	7.0%	6.6%	6.8%	5.9%	6.8%	7-7.5%
Industrial Output (Dec)	14.6%	23.0%	13.3%	2.4%	9.0%	9.5%
Inflation Rate (Feb)	2.7%	3.3%	3.0%	1.4%	1.8%	2.8-3.2%
Government Spending (Dec)	33.2%	18.8%	14.6%	12.6%	18.0%	15%
Gross International Reserves ($B) (Jan)	80.7	81.4	81.4	81.6	80.7	85
Peso-dollar rate (Feb)	49.74	49.96	49.85	45.50	47.49	P51/USD
10-year T-bond yield (end-February YTD bps change)	4.59%	4.51%	-26.0	4.10%	4.10%	4.802-5.102%
PSEi (end-October YTD % change)	7,229.6	7,212.09	5.1%	6,952.1	6,781.2	7,500

INVESTMENTS AND MANUFACTURING ARE DRIVING THE ECONOMY

Strong investments growth and a surge in manufacturing output continue to drive the Philippine economy. Capitals goods imports growth accelerated further to 37% in December from 30% in the previous month. Foreign direct investments (FDI) provided support as these zoomed up by 145% in December to hit record $7.9 B in full year 2016. Manufacturing activity, meanwhile, climbed by 23% in December, the 2nd fastest in 2016. The fly in the ointment pointed to the fastest pace of inflation in 27 months as it reached 3.3% in February.

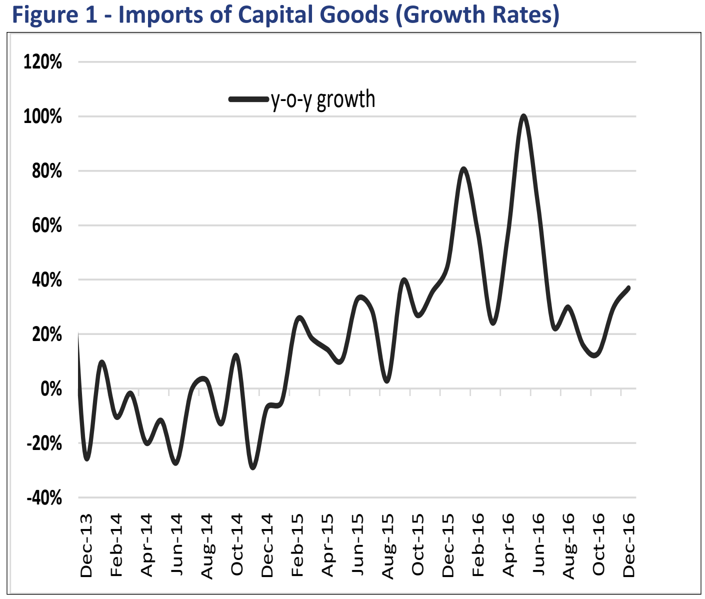
Outlook: The investment-led growth of the economy appears intact in Q1 as robust national government(NG) spending and manufacturing output gains in December should spillover into higher employment and consumer spending in Q1. Besides, the move of exports into positive territory in three of the last four months should provide a further impetus to the strong domestic demand outlook.

FDIs Hit Record $7.9 B in 2016, up by 40.7%

Huge inflows in December brought foreign direct investments (FDI) to all-time record high of $7.9 B in 2016. This represented a hefty increase of 40.7% over the year ago levels. Bulk of this came from debt instruments amounting to $5.2 B. Equity capital investments contributed $2 B while the reinvestments of earnings accounted for the remaining.

Meanwhile, the inflows in December alone more than doubled yielding a total of $669 M in FDIs. More than 60% came from the $415 M debt instruments which scored 2x higher than the December 2015 level. The equity capital came mostly from Hong Kong, Japan, the United States, Singapore, and Belgium which moved mainly into arts, entertainment and recreation; financial and insurance; manufacturing; real estate; and professional, scientific and technical activities.

Figure 1 - Imports of Capital Goods (Growth Rates)



Source of Basic Data: National Statistics Office (NSO)

Capital Goods Imports Sustain Torrid Pace, Up 37% in December

Driven by broad-based subsector gains, Capital goods imports growth ended the year with a 37% increase, outpacing the past month figure. Sensational growth of above 40% showed in the imports of Photographic Equipment and Optical Goods (239.1%) and Power Generating and Specialized Machines (40.9%) resulted in the fast acceleration of 36.9% in December.

Coupled by the double-digit gains in the imports of Raw Materials, Consumer Goods and Special Transactions (which collectively comprised about 60% of total imports), aggregate imports in November expanded by 19.1% to $7.4 B. Year-to-date (YTD), total imports stood at $81.2 B, 14.2% higher from the same period of the same year.

Meanwhile, the imports of Mineral Fuels and Lubricants posted a slower expansion due to the hefty decline on the imports of Petroleum Crude (-39.8%) and Other Mineral Fuel and Lubricants (i.e. gas oils, regular and premium unleaded motor spirit and aviation spirit) which comprised the bulk of this sector's imports.

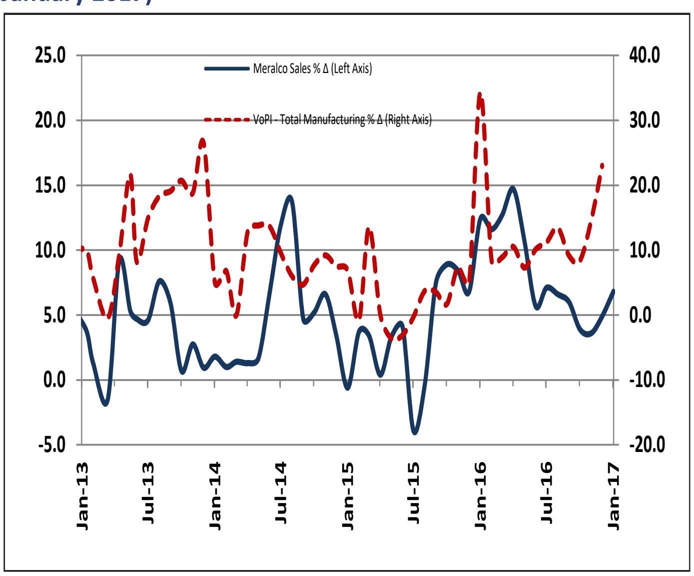
Higher prices in the heavily-weighted items (i.e. food, non-alcoholic beverages, fuel, and electricity) resulted in the fastest pace of headline inflation in 27 months.

The continuous increase in imports and slow recovery in exports resulted in a wider trade deficit of $2.6 B in December. We think that the growth in the capital goods imports will continue to register double-digit gains for most of 2017.

Manufacturing Output Surges by 23% in December

Strong growth in 14 out of 20 sectors, with 11 posting double-digit gains, triggered the acceleration in the country's manufacturing output (measured by Volume of Production Index) to 23% in December. This outpaced the 14.6% gain in November 2016 and raced almost 5x faster than the year ago's growth figure. The sectors rapidly expanding included Petroleum Products (+63.2%), Fabricated Metal Products (+41.5%), Food Manufacturing (+35.1%), and Transport Equipment (+34.3%), among others.

Figure 2 -VoPI and Meralco Sales Growth Rate (January 2013-January 2017)



Sources of Basic Data: Meralco & Philippine Statistics Authority

Meanwhile, broad-based gains in electricity consumption led by the Residential segment resulted in Meralco electricity sales rising at a faster pace of 6.8% in January 2017 from 4.9% in the previous month. Demand from residential users increased by 7.4% ahead of the New Year and Chinese New Year celebrations. The Industrial sector's demand rose by 7% due to robust manufacturing production.

The continued rapid expansion of the manufacturing sector, which is also reflected in higher electricity demand, should help sustain the economy's growth momentum in 2017.

Inflation Climbs to 3.3% in February

Higher prices in the heavily-weighted items (i.e. food, non-alcoholic beverages, fuel, and electricity) resulted in the fastest pace of headline inflation in 27 months. February inflation sped up to 3.3%, bringing the first two months' average to lodge around the mid-target of the BSP.

Inflation Year-on-Year Growth Rates	Feb-2017	Jan-2017	YTD
All items	3.3%	2.7%	3.0%
Food and Non-Alcoholic Beverages	4.1%	3.4%	3.8%
Alcoholic Beverages and Tobacco	6.0%	5.6%	5.8%
Housing, Water, Electricity, Gas, and Other Fuels	2.9%	1.8%	2.3%
Transport	2.8%	2.4%	2.6%
Communication	0.2%	0.2%	0.1%
Recreation and Culture	1.8%	1.9%	1.9%
Restaurants and Miscellaneous Goods and Services	2.1%	2.2%	2.2%

Source of Basic Data: National Statistics Office (NSO)

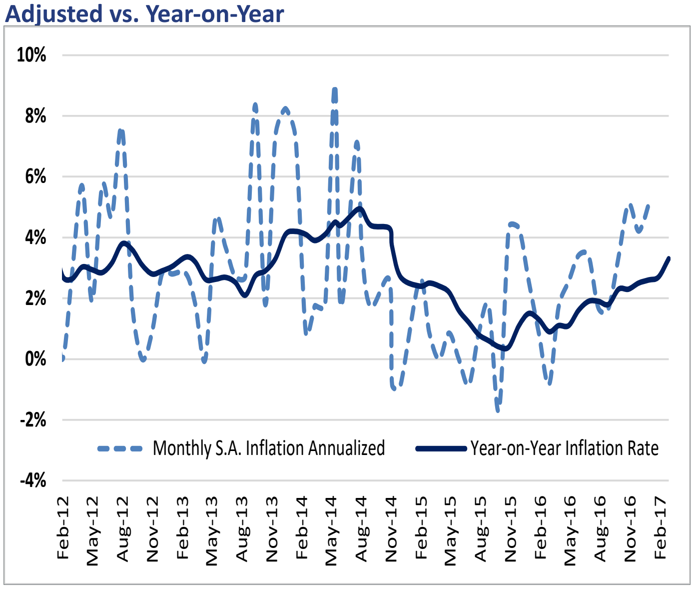
Notes: Red font – means lower rate (good) vs. previous month
Green font - means higher rate (bad) vs. previous month
Not included in details are the items whose growth rate remained the same as in September.

Five out of 11 commodities showed faster price increments led by Housing, Water, Electricity, Gas, and Other Fuels (HWEGOF) and Food and Non-alcoholic Beverages (FNAB) indices. Higher crude oil prices in January (averaging at $53.44/barrel) caused price upticks in fuel and resulted to an increase in the electricity's generation charge. Transport index, likewise, increased by 2.8% from 2.4% in January due to higher fuel prices.

A shortage in rice and other food commodities (i.e. vegetable, fish) led to a 0.7 percentage point increase in the FNAB index. Price gains in Alcoholic Beverages and Tobacco (ABT) and Communication contributed to higher price tags. Health, and Recreation & Culture contributed to higher price tags. Price deceleration in the Restaurants and Miscellaneous Goods and Services and Recreation

Money growth is expected to continue its low double-digit pace and the market anticipates MB to keep policy rates steady until late Q2-2017.

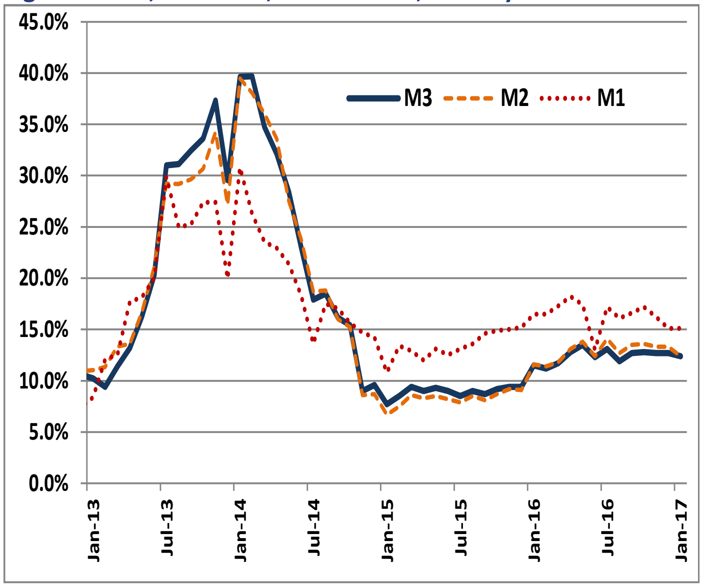
Figure 3 - Inflation Rates Annualized (2012-2017) Seasonally Adjusted vs. Year-on-Year



Source of Basic Data: National Statistics Office (NSO)

and Culture provided a little cushion to the uptick. Meanwhile, Communication, Education, Clothing and Footwear categories posted the same percentage change as in January.

Figure 4 - M1, M2 & M3, Year-on-Year, January 2013-2017



Source of Basic Data: National Statistics Office (NSO)

The rapid increase in the overall prices is fairly expected and we think that the headline inflation will continue to hover around the median range (3%) or slightly above the target in H1.

Domestic Liquidity Continues to Decelerate, MB Maintains Policy Rates

The country's domestic liquidity (M3) continued to post slower acceleration to 12.4% or 0.3 percentage points slower than the revised figure in the previous month, albeit the 13th consecutive month of double-digit growth. Broad Money (M2), likewise, moved at a slower cadence at 12.4% while Narrow Money (M1) maintained last month's pace.

The continued expansion of money supply (although at a slower pace) drew support from the increase in loans to 17.5% from 16.9% (revised) last month. Bulk of bank loans went to productive activities (i.e. Financial and Insurance Activities (+25.1%), Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles (+20.6%), Real Estate Activities (+18.7%), and Electricity, Gas, Steam and Airconditioning Supply (+15.8%).

Net Foreign Assets (NFA) of monetary authorities continued to expand by 4.5%, but slower than the 4.9% recorded in December sustained by the inflow of OFW remittances and earnings from BPOs.

Meanwhile, as previously anticipated, the Monetary Board (MB) on February 9 decided to maintain the policy rate—i.e. Overnight Reverse Repurchase (RRP) facility at 3%. The interest rates on the overnight lending, deposit facilities, and reserve requirement ratios, likewise, remained unchanged.

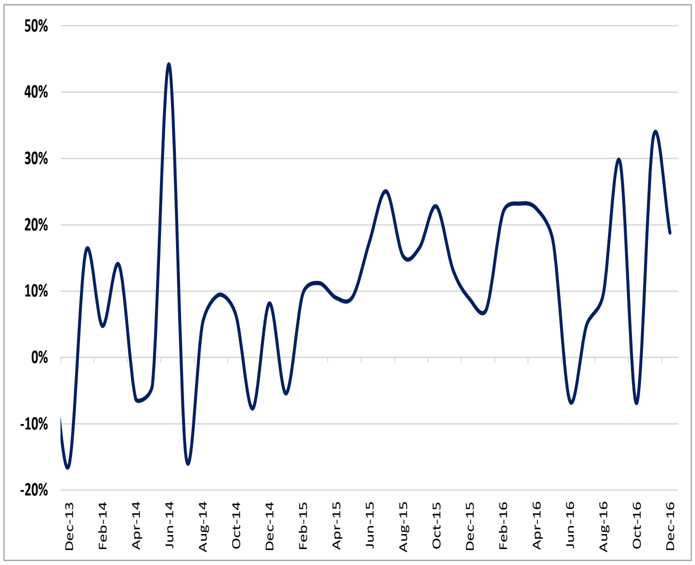
We think that the BSP will continue to remove liquidity from the financial system through its Overnight Deposit Facility (ODF) and Term Deposit Facility (TDF) auctions at the current pace of P180 B per week. Thus, we maintain our view that money growth will continue to be moderate at a low double-digit pace and we expect MB to keep policy rates steady until after the second Fed rate hike, expected in June.

The Philippines' export sales ended the year in a brighter note, after registering a y-o-y increase of 4.5% to $4.9 B in December.

NG Spending Still Records Double-Digit Growth

The National Government (NG) continued to fast track spending on key infrastructure, security and defense projects to post high-teens growth of 18.8% in December, outpacing the meager growth (+1.1%) in government's revenue take. Thus, the country incurred a budget deficit of P4.9 B in the month of December, resulting to a full year deficit of P353 B or 90.8% of the P388.9 B programmed deficit for 2016. The deficit bloated to 2.4% of GDP, the highest in five years, up from 0.9% a year ago.

Figure 5 - NG Expenditures and Growth, Year-on-Year, December 2013-2016

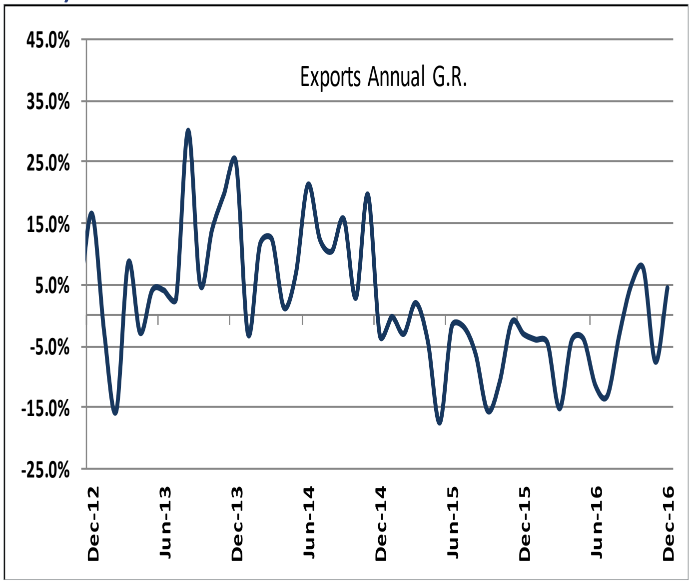


Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Meanwhile, the negative growth in non-tax collections (-33.3%) offset the gains collected by the tax agencies (+5.6%). The Bureau of Internal Revenue (BIR) accounted for almost 80% of total tax collections, which raked a total of P152.6 B in December (+10.3%). Collections of the Bureau of Customs (BoC), however declined by 7.7% to P34.8 B due to lower imports of Mineral Fuels, Lubricants and Related Materials.

NG posted a P49 B primary deficit, the first time since 2010. Nonetheless, the country's debt-to-GDP ratio fell to 42.1% from 44.7% in 2015 as NG tilted its borrowing towards low-cost T-bills and shorter dated T-bonds.

Figure 6 - Exports Growth, Year-on-Year (December 2012-2016)



Source of Basic Data: National Statistics Office (NSO)

Exports Ended the Year in a Bright Note

The Philippines' export sales ended the year in a brighter note, after registering a year-on-year (y-o-y) increase of 4.5% to $4.9 B in December. The increase came about due to the exceptional performance in five out of the top 10 export commodities. These include Coconut Oil which includes crude and refined (+146.5%), Other Mineral Products (+104.5%), Metal Components (+66.4%), Chemicals (+42.1%), and Other Manufacturers (+35.8%). The lackluster exports performance in nine out of 12 months led to a 4.5% full-year fall in 2016.

Electronic products still reigned as the country's top export, albeit recording a 2.8% decrease with receipts totaling to $2.5 B and contributing 7.2% to total exports. Semiconductors, on the other hand, grew by 1.9%, with the biggest share of 35.5% among electronic products. It earned $1.73 B compared to $1.69 B in December 2015. Other Manufactures followed in second place with a 7.2% contribution to export sales. It grew by a whopping 35.8% from its year ago level of $257.3 M. Machinery and Transport Equipment took the third place rank with shipments worth $227 M despite its 12.9% decline. Woodcrafts and

Steered by higher gains from the land-based workers, cash remittances reached its historic high in December amounting to $2.6 B (representing a 3.6% y-o-y increase).

Furniture and Ignition Wiring Set and Other Wiring Sets Used in Vehicles, Aircrafts, and Ships in the fourth and fifth place spot, likewise, registered a sizable decline of 19.2% and 37.8%, respectively.

Japan is still the country's top export destination, with total revenue at $948.3 M, while contributing 19.4% to total shipments for December. It rose by 2.8% from the same month of the previous year. United States of America still took the second place, accounting for 14.1% of total exports (with shipments valued at$866 M). However, it fell by 6.7% from $735.5 M in December 2015. With a 12.7% share to export receipts, Hong Kong grabbed the third place, posting a good y-o-y increase of 5.3%. In fourth place, People's Republic of China contributed 12.4% of the total exports worth $602.8 M. It increased by a sizeable 36.6%, a vast improvement from its record in the same month of 2015. Singapore grabbed the fifth spot, representing 5.8% or $282.2 M for exports; receipts, however, declined by 7.1% from December 2015.

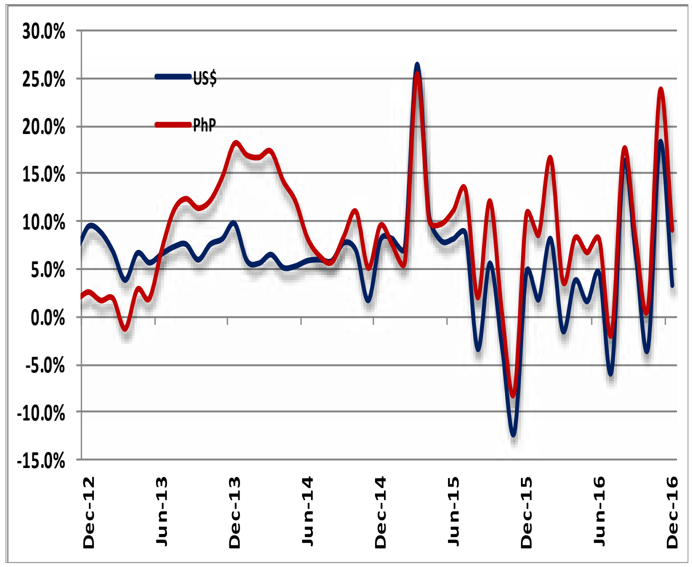
More than half of the total exports headed towards East Asian (EA) nations, valued at $2.6 B. Total exports to the EA region recovered by posting a 9.4% increase. Commodities shipments to the ASEAN countries (comprising 14.4%), slipped by 5%. ASEAN+East Asia ex-Japan accounted for 47.5% of total exports. Trade exports to the E.U. also posted a hefty decline of 8% to $521.6 M.

As previously anticipated, full year export growth ended in the red, but PH should register more positive export gains in 2017 and thus, contribute a little more to economic growth.

Cash Remittances Reaches Historic High of $2.6 B in December

Steered by higher gains from the land-based workers, cash remittances reached its historic high in December amounting to $2.6 B (representing a 3.6% y-o-y increase). Cumulative gains from the land-based workers rising by 7.6% y-o-y (to $23.2 B) offset the fall (-3.8%) in cash remittances sent by sea-based workers (to $5.6 B). The consistent decline in the inflows from the sea-based workers should be a cause for concern as demand for this type or work remained negatively affected by stiffer competition in seafarers coming from East Asia and Eastern Europe. Thus, Filipinos may have to settle for lower wages at entry levels to maintain competitiveness.

Figure 7 - OFW Remittances, December 2012-2016



Source of Basic Data: National Statistics Office (NSO)

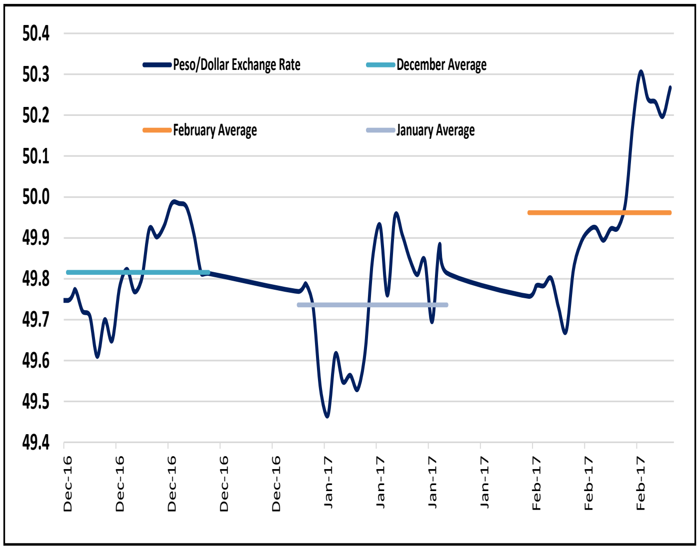
Peso Reverts to Past Losses

The U.S. dollar regained its strength due to the 50% chance of having another rate hike. Uncertainties on the administration's policies (e.g. mining) and its ability to implement them contributed to a huge pullout in global funds, bringing PH peso to succumb to another bout of weakness to average at P49.96/$, representing a 0.5% depreciation from January. The US/PHP rate in February hit an all-time low in seven years and two months, ranging between P50.31/$ and P49.67/$ which further widened the volatility measure to 0.20 from 0.15 last month.

The dollar's ascent hit the won (KRW) hard as it slumped by 1.1% YTD. India's rupee also fell ahead of GDP result and President Trump's speech to Congress containing various reforms. Meanwhile, the yuan (CNY) managed to maintain its strength as the PBOC committed to temper its weakness in the short-term. Malaysia's steady fundamentals caused a rebound to a tepid ringgit (MYR). The rupiah (IDR) remained solid given the positive reading of the country's economic fundamentals.

The U.S. dollar regained its strength due to the 50% chance of having another rate hike.

Figure 8 - Daily Dollar-Peso Exchange Rate, December to February 2017



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Monthly U.S. Dollar Cross Rates of Selected Asia-Pacific Currencies	
	Feb-17
AUD	-1.52%
CNY	-0.29%
INR	0.05%
IDR	-2.47%
KRW	1.33%
MYR	-3.76%
PHP	0.26%
SGD	-1.86%
THB	-1.44%

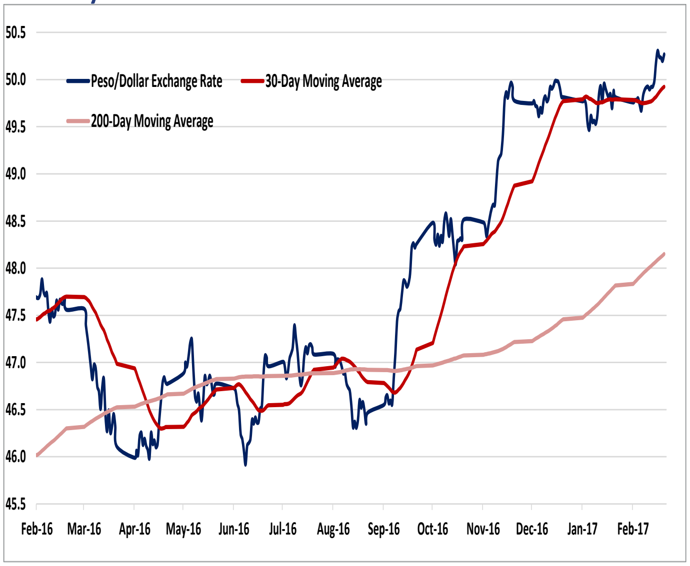
Note: Positive changes mean depreciation and negative changes mean appreciation against the greenback
Source of Basic Data: x-rates.com

The mixed highs and lows of remittance inflows in 2016 resulted to a full-year level of $26.9 B or up 5% y-o-y. Much of this came from the U.S., Qatar and Japan.

Likewise, the peso equivalent of remittances remained robust with a 9.3% gain, underpinned by strong dollar inflow and the 5.5% peso depreciation. We believe that OFW remittances should continue its upswing at the current pace in Q1 considering the improvement in crude oil prices that benefit the Middle East economies.

The actual US/PHP rate still lodged way above the 200-day moving average (MA), suggesting further pressure on the peso. We maintain our view that this downtrend will likely continue in 2017, albeit at a slower pace than 2016 with higher interest rate differentials favoring U.S. assets.

Figure 9 - Dollar-Peso Exchange Rates & Moving Average, February 2016-2017



Source of Basic Data: National Statistics Office (NSO)

Outlook

- Despite a high base in Q1-2016, we think GDP growth in Q1-2017 will exceed 6.5% as all indicators, except faster inflation, signal sturdy output expansion in the current quarter.

- As major PPP projects have commenced work and government-funded infrastructure spending rides high, the boost in Construction activity should show consolidation of economic strength.

The exchange is expected to remain above P50/$1 for the rest of the quarter as the US economy continues to provide pressure on the peso.

- With particularly robust Manufacturing output gains in the last two months of 2016, capital goods imports should continue to post above-20% gain in Q1. We have obtained empirical evidence that Manufacturing volume leads investment spending.

- With bloated domestic demand and exports gaining lost ground, Q1 performance should again signal much vigor in the economy.

- While inflation breached 3% in February, we think it should stabilize just above it, as crude oil prices have shown limited upside, and food price inflation can slow down with the inflow of more rice imports.

- The exchange rate should remain above P50/$1 for the rest of the quarter and H1. The U.S. economy and dollar's bulging muscle shall continue to provide pressure on the peso.

Forecasts			
Rates	**March**	**April**	**May**
Inflation (y-o-y %)	3.5	3.5	3.5
91-day T-Bill (%)	2.3	2.4	2.4
Peso-Dollar (P/$)	50.0	50.2	50.7
10-year T-Bond (%)	4.64	4.71	4.78

Source: Authors' Estimates

PH BOND RALLY OVER FOR NOW

The local bond market rally at the beginning of the year appears to have stalled in mid-February as yields began to rise in tandem with U.S. Treasuries. With U.S. President Trump appearing to gain more support with his business-friendly and job-creating policies, U.S. Treasuries' yields headed north. Nonetheless, the PH long-dated government securities (GS) remained below end-2016 levels. Market activity slowed, but still continued to average above P10 B on a daily basis.

Outlook: The long-dated U.S. and local bond yields now have priced in a Fed rate hike and so the question shifts as to when would the next one or two be. Locally, more action would be focused on the short-end to the belly of the curve. Nonetheless, we expect continued volatility in the bond markets.

Primary Market: Tepid Demand in Auctions, Less so for T-bonds

Market players' risk aversion bore down in the Bureau of the Treasury (BTr) auctions to push up yields across all auctions. Average yields of 91-day, 182-day and 364-day T-bills vaulted by 47 bps, 43 bps and 49 bps, respectively. Yields in these bills, thus, reached 2.52%, 2.47% and 2.77%, respectively

The T-bill auctions met with tepid demand. BTr only awarded P4.3 B of the P6 B offered, as the tendered-offered ratio (TOR) slipped to 1.44 from 1.48 last month. The TOR for the 364-day T-bill remained below 1.0, at 0.94, albeit up from 0.85 last January. On the other hand, national government (NG) rejected the 182-day T-bill auction, as its TOR dropped to 1.0 from 1.14 last month, failing to match the P5 B offer.

The 3-year Treasury bond had a yield of 3.5%, up from 3.4% last January 2017, despite having a TOR of 2.27 which is down from 2.48 last month. On the other hand, the 5-year Treasury bond had a yield of 4% which is up from 3.8% last November 2016, with a TOR of 2.60, significantly higher from 0.86 recorded in the same period. This may indicate that market players find the longer-dated offerings relatively more attractive and toppish at list for these tenors at the belly of the curve.

Secondary Market: Investors Flee from Bonds to Escape Rate Hikes

Total trading volume for February declined slightly by 2.1% month-on-month (m-o-m) to P251.5 B from P256.8 B in the previous month. However, this represents a huge drop of 30.1% year-on-year (y-o-y) from P359.9 B recorded last

T-Bills and T-Bonds Auction Results

Date	T-Bill/T-Bond	Offer	Tendered	Awarded	Tendered/ Offered	Average Yield	Bps Change from Previous Auction
T-Bills							
16-Jan	91-day	6.00	8.66	4.30	1.44	2.252	**47.20**
	182-day	5.00	5.02	3.57	1.00	2.467	**43.00**
	364-day	4.00	3.75	1.18	0.50	2.276	**49.00**
	Subtotal	15.00	17.42	20.29	0.83		
T-Bonds							
07-Feb	3-year	15.00	33.98	15.00	2.27	3.492	**12.80**
	5-year	15.00	38.99	15.00	2.60	4.030	**23.00**
All Auctions	**Total**	**45.00**	**90.39**	**40.36**	**2.00**		

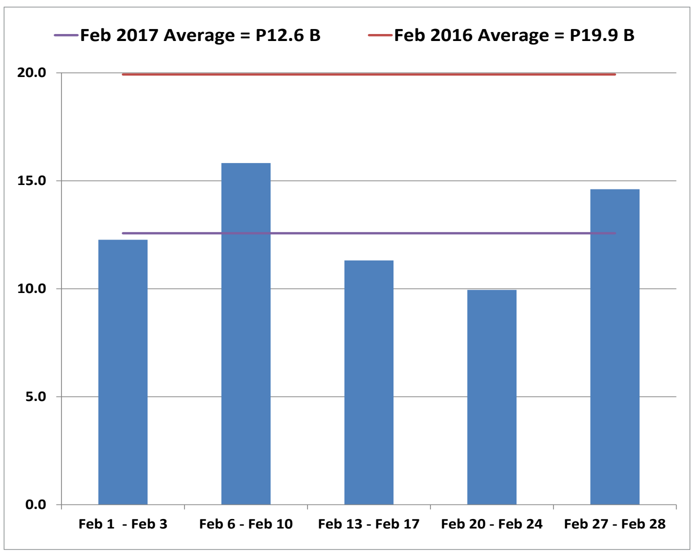
Source of Basic Data: Bureau of the Treasury (BTr)

Except for the 1-month and 6-month tenors, yields went up across the curve in February. 1-month and 6-months papers' yields fell by 50.3 bps and 1 bp, respectively.

February 2016. YTD total trading fell also by 17.1%. The February numbers suggest growing disfavor for bonds as markets anticipate higher interest rates in the coming months.

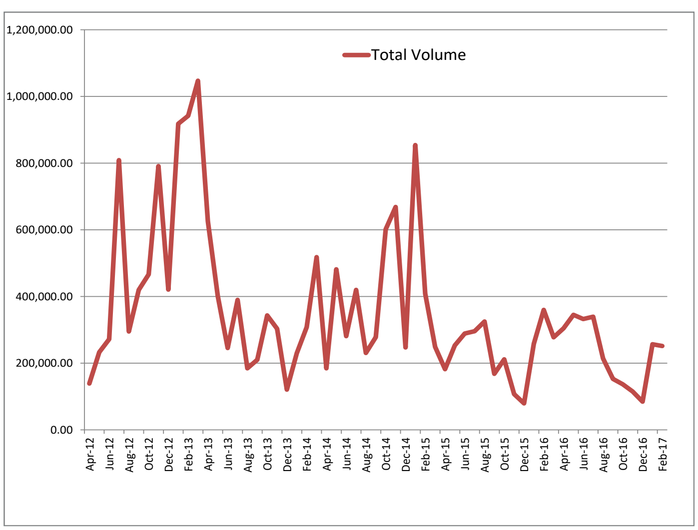
Except for the 1-month and 6-month tenors, yields went up across the curve in February. 1-month and 6-months papers' yields fell by 50.3 bps and 1 bp, respectively. For the rest of the curve, the increases in yields varied widely

Figure 10 - Weekly Trading Volume (In Billion Pesos)



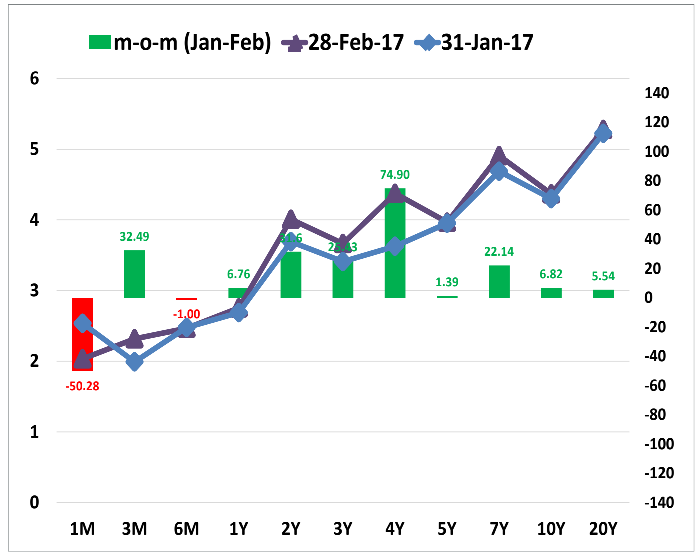
Source: Philippine Dealing Systems (PDS)

Figure 11 - Trading Volume Trend (April 2012 - February 2017)



Source: Philippine Dealing Systems (PDS)

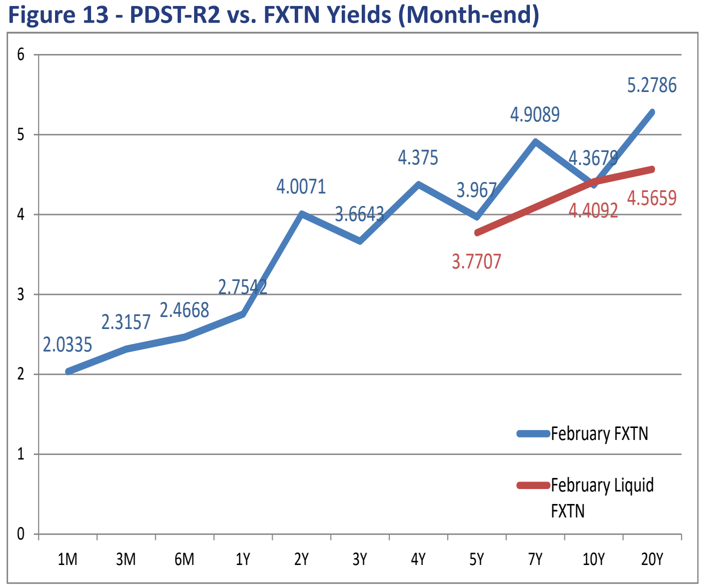
Figure 12 - PDST-R2 Yields



Source: Philippine Dealing Systems (PDS)

from 1.4 bps for 5-year T-bonds to 74.9 bps for 4-year tenors. Since hikes in the 2-year notes exceeded greatly than for the longer tenors, the 10-year to 2-year spread dropped sharply from 61 bps to 36 bps, a spread change of -25 bps (See ASEAN +1 table below).

Figure 13 - PDST-R2 vs. FXTN Yields (Month-end)



Source: Philippine Dealing Systems (PDS)

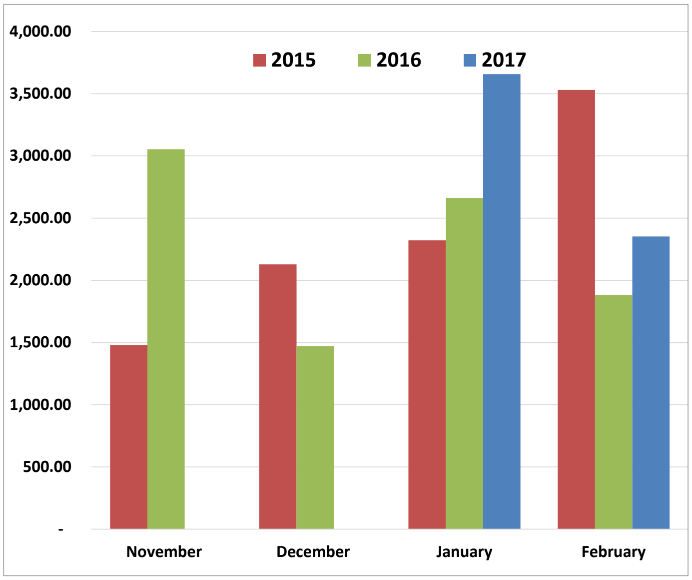
Overall volume for corporate bonds trading for February 2017 reached P2.4 B, decreasing by 35.7% (m-o-m) from P3.7 B, but still showed a major gain of 25.1% y-o-y from only P1.9 B a year ago.

Corporate Bonds: Trading Improves in February Year-to-date

Overall volume for corporate bonds trading for February 2017 reached P2.4 B, decreasing by 35.7% m-o-m from P3.7 B, but still showed a major gain of 25.1% y-o-y from only P1.9 B a year ago. Year-to-date (YTD), cumulative trading jumped by 33% from the first two months of 2016.

Bond trading volume of five leading corporate issues – Power Sector Assets and Liabilities Management (PSALM), San Miguel Brewery (SMB), Ayala Land, Inc. (ALI), Ayala Corporation (AC) and SM Investments Corporation (SMIC) – plunged by 36.5% to P1.1 B from P1.7 B in January of the current year. The debt papers of the leading companies saw mixed movement with SMB, AC, and SMIC following a positive trend, while trading activity declined for PSALM and ALI.

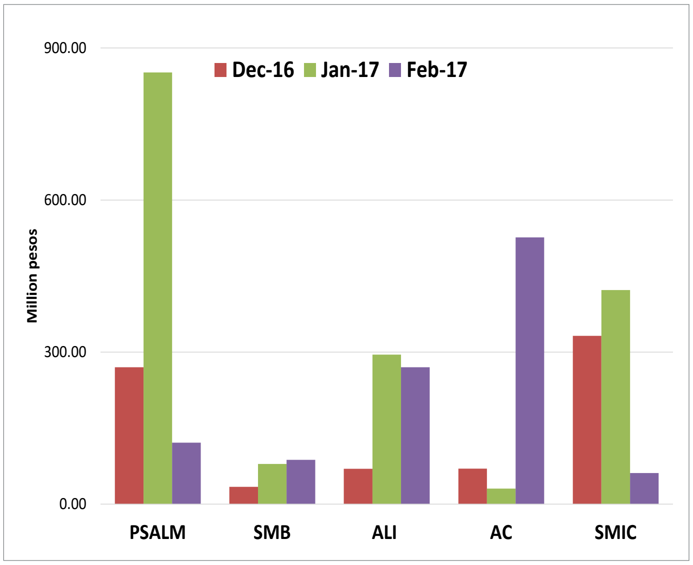
Figure 14 - Total Corporate Trade Volume (In Million Pesos)



Source: Philippine Dealing Systems (PDS)

AC placed first, trading P526.4 M, up by a staggering 1,623.1% m-o-m. ALI and PSALM came in second and third, trading P270.1 M and P121.3 M, respectively. Trading in their debt papers declined by 8.5%, and 85.8%, respectively. SMB came in next at P87.4 M, up by 10.4%. SMIC brought up the rear, trading P61.3 M, witnessing a massive 85.5% fall from January 2017.

Figure 15 - Corporate Trading (In Million Pesos)



Source: Philippine Dealing Systems (PDS)

Corporate Issuances & Disclosures

- San Miguel Corporation obtained the approval to issue P60-billion bonds last February 9, 2017. The offer period for the said bond issuance was set for February 20 to 24. Moreover, San Miguel issued its planned P20 billion fixed rate bonds last February 28 which had its offered period last February 14 to 20.

- Ayala Land, Inc. (ALI) plans to raise up to P30 B from the debt market in order to partially finance its corporate requirements and short-term loans. The company disclosed that its Board of Directors approved the raising of up to P20 B through retail bonds, corporate notes, or bilateral term loans. The said retail bonds will be issued under the corporation's P50 B debt-securities program, which was approved last March 2016. The corporation's board also approved the raising of up to P10 B through the issuance of short-dated notes with a tenor of up to 21 months as a means to finance the corporation's short-term loans.

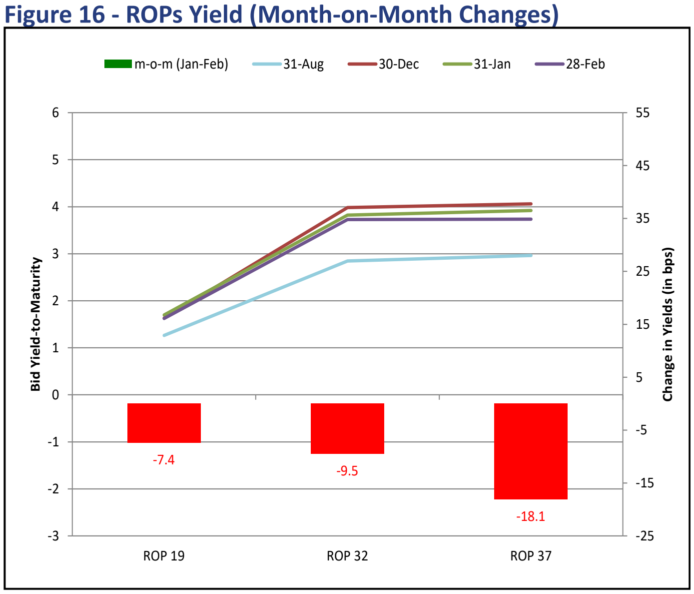
ROPs: Better Demand Pushes Down Yields

Philippine government dollar-denominated bonds (ROPs) showed decreases in yield among the three more liquid tenors. ROP-19, with two years to maturity, fell by 7.4

ROPs continued to track the negative movement of U.S. Treasury yields.

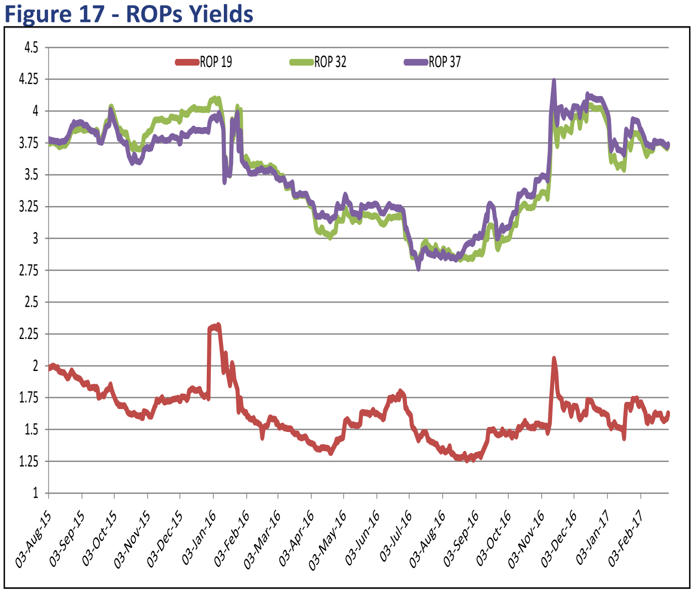
bps from 1.7% to 1.62%. ROP-32, 15 years from maturity, dropped by 9.5 bps from 3.8% to 3.7%. ROP-37, 20 years from maturity, went down by 18.1 bps from 3.9% to 3.7%.

Figure 16 - ROPs Yield (Month-on-Month Changes)



Sources: First Metro Investment Corporation (FMIC) & Philippine Dealing Systems (PDS)

Figure 17 - ROPs Yields



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

In comparison, U.S. Treasury yields for similar tenors went down by 8.5 bps to 2.5% for the 15-year U.S. T-bond and by 9 bps to 2.7% for the 20-year bond. ROPs of similar tenor fell by 18.1 bps at most.

In general, ROPs tracked the negative movement of their U.S. Treasury counterparts. ROP-19 went down as it followed the decline in the U.S. 2-year Treasury bill while ROP-32 declined following the fall of the U.S. Treasury bond.

ASEAN + 1 Market: Yield Curves Flatten a Bit as U.S.$ Rally Slows

U.S.: The U.S. Federal Reserve chose to leave interest rates unchanged during its February meeting. The Federal Open Market Committee (FOMC) maintained its benchmark overnight lending rate target at 0.5% to 0.75%. The FOMC, however, noted the change in sentiment as stocks have rallied and measures of consumer and business confidence improved since the U.S. election results. Job gains remained solid for the month of January as the job creation remained above 200,000. Although the Fed is expected to continue its accommodative stance regarding monetary policy, the market expects three hikes for 2017, one in March and the other two will likely be more data dependent. Recent discussions among Fed officials have revolved around the need to reduce the central bank's bond holdings, such as mortgage-backed securities (MBS), which it had accumulated through the quantitative-easing measures it implemented during and after the financial crisis. Bond dealers anticipate that spreads will widen if the Fed does indeed reduce its demand for MBS. Moreover, this may have a negative impact on the housing market as the move would increase costs for home buyers. Meanwhile, inflation climbed to 2.5% (y-o-y), the highest recorded figure since February 2013, on the back of higher costs for gasoline and other goods and services. 10-year to 2-year spread went down by 13 bps, from 126 bps to 113 bps.

Amidst the increasing threat of protectionism, risk-on sentiment continues to weigh heavily on the monetary policies of the central banks in the ASEAN +1 region.

PRC: China's central bank tightened monetary policy (and may continue this stance) by raising the interest rates it charges in open market operations and on funds lent through its Standing Lending Facility (SLF), in order to curb asset prices and inflation. The costs of 7-day, 14-day, and 28-day reverse repurchase agreements all increased by 10 bps to move up to 2.35%, 2.5% and 2.65%, respectively. Meanwhile, the SLF rate climbed to 3.1% from 2.75%. Tighter monetary policy would serve to reduce credit growth as well as widen the yield advantage that Chinese bonds would have over U.S. debt. Inflation beat market expectations and climbed to 2.5% y-o-y in January as compared to the 2.1% recorded last December 2016. Meanwhile, new yuan loans increased to 2 T yuan worth of loans for the month of January from the 1 T yuan recorded a month ago. On the other hand, it was noted that China's holdings of U.S. Treasuries dropped by $96.1 B in November 2016 from the previous month as it used its foreign exchange reserves to support the yuan. Moreover, China has given overseas investors access to its foreign-exchange derivatives market, in order to allow hedging of bond positions, as a means to attract inflows. Foreign institutions that are investing in the inter-bank bond market are able to trade products that include forwards, swaps and cross-currency swaps. This may also be seen as a measure to minimize capital outflows, given the recent volatility of the offshore yuan market. 10-year to 2-year spread marginally fell by 2 bps from 61 bps to 59 bps.

Indonesia: Bank of Indonesia is expecting slower GDP growth for the Q1-2017 due to limited government spending. On the other hand, inflation would likely move above 4% this year on the back of the recent fuel price hikes and the gradual increase in electricity tariffs. The central bank maintained its benchmark interest rate as it hopes that last year's rate cuts would sufficiently boost growth. Meanwhile, major banks in Indonesia expect loan growth to accelerate in 2017 due to increasing demand in the trading and construction sectors. The country is reportedly planning to sell $5.5 B worth of bonds to global markets this year, which will consist of yen-denominated and euro-denominated conventional bonds as well as U.S. dollar Islamic bonds. The Indonesian Export Financing Agency (LPEI), or Indonesia Eximbank, plans to issue $1.5 B in debt papers in order to finance its activities for 2017. The said debt paper would consist of 14 T ($1 B) worth of rupiah-denominated bonds as well as foreign-denominated bonds worth $500 M. 10-year to 2-year spread fell by 10 bps from 59 bps to 49 bps.

Malaysia: Bank Negara is expected to hold its benchmark interest rate at 3% as the economy continues to recover after experiencing low global and commodity prices for more than a year. Risk-on sentiment is expected to persist on the back of the recent eagerness of the Trump administration to implement new foreign policies and on the back of rising nationalism in Europe. Despite this, the rate of foreign investment outflow slowed down to 1.8% in January compared to 2.4% recorded in the previous month, and as a result, yields have normalized.

Spreads between 10-year and 2-year T-Bonds

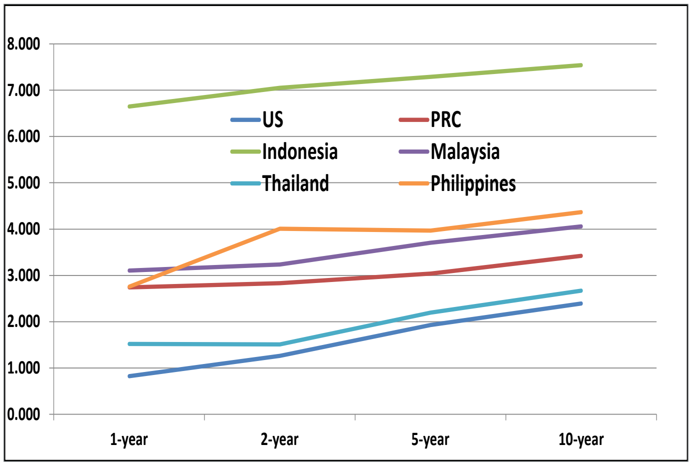
Country	2-year rate	10-year rate	Projected Inflation Rates	Real 10-year yield	10 year to 2-year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					01-Feb-17	28-Feb-17			
U.S.	1.260	2.390	1.30	1.09	126.00	113.00	-13.00	0.50	-0.80
PRC	2.830	3.420	2.00	1.42	61.00	59.00	-2.00	4.35	2.35
Indonesia	7.053	7.540	3.50	4.04	59.00	49.00	-10.00	4.75	1.25
Malaysia	3.233	4.056	2.10	1.96	95.00	82.00	-13.00	3.00	0.90
Thailand	1.508	2.671	0.20	2.47	124.00	116.00	-8.00	1.50	1.30
Philippines	2.754	4.368	1.80	2.57	61.00	36.00	-25.00	3.00	1.20

Sources: Asian Development Bank (ADB), The Economist & UA&P
**1-yr yields are used for PH because 2-yr papers are illiquid*

The trend towards higher yields continues, as the market has factored in a near 100% probability of a Fed rate hike in March.

Meanwhile, gross issuance of government securities summed up to RM14 B in January, as compared to the RM2 B recorded in December 2016. On the other hand, the issuance of corporate papers declined, amounting to a total value of only RM1.6 B. 10-year to 2-year went down by 13 bps, from 95 bps to 82 bps.

Figure 18 - ASEAN Bond Yields



Source: Asian Development Bank (ADB)

Thailand: Consumer prices rose at their fastest annual pace in more than two years, driven by higher food and retail oil prices. The central bank held its key interest rate at 1.5% in order to safeguard the country's economic recovery amidst the increasing threat of protectionism, primarily due to recent stance of the U.S. administration on foreign policy. Foreign funds have pumped $2.2 B into Thai sovereign notes in 2017 as the outlook for its currency remains bullish hinging on its large current-account surplus. Meanwhile, the Securities and Exchange Commission (SEC) tightened bond regulations in order to protect investors, following a flurry of defaults by unrated bills of exchange (B/E). Each intermediary is now limited to holding one-third of each issue and will be barred from being the issuer's major creditor. 10-year to 2-year spread slipped by 8 bps from 124 bps to 116 bps.

Outlook

After trending downward in February, 10-year U.S. Treasury bonds rebounded from the bottom of 2.31% reached on February 24, as U.S. President Donald Trump reiterated his business-friendly policies after continuing meetings with CEOs and labor leaders, and delivering a presidential, optimistic speech on February 28. Early in March, analysts expected another good set of employment data for February.

- With 10-year U.S. T-bond yields on the rise way past 2.4% in early March, the trend towards higher yields continues, as the market has factored in a near 100% probability of a Fed rate hike in March.

- Local bond yields have followed the U.S. Treasuries' upward swing. Since much of the rate hike has been priced in to the long-dated GS, the bigger moves may continue to focus on the belly. Despite the outflow of foreign investors from the local stock market, the financial system appears still awash with excess funds, which will put a ceiling to the rise in yields. We expect continuing volatility in both the U.S. and local bond markets.

- The pipeline for corporate issuances should unclog in Q2 with the expected approvals and issuances spiking, as corporate treasurers try to catch acceptable interest rates before yields rise further for the rest of the year.

- ROPs may become even more attractive when the peso depreciation temporarily abates, as better yields and exchange rate gains could offer a buffer.

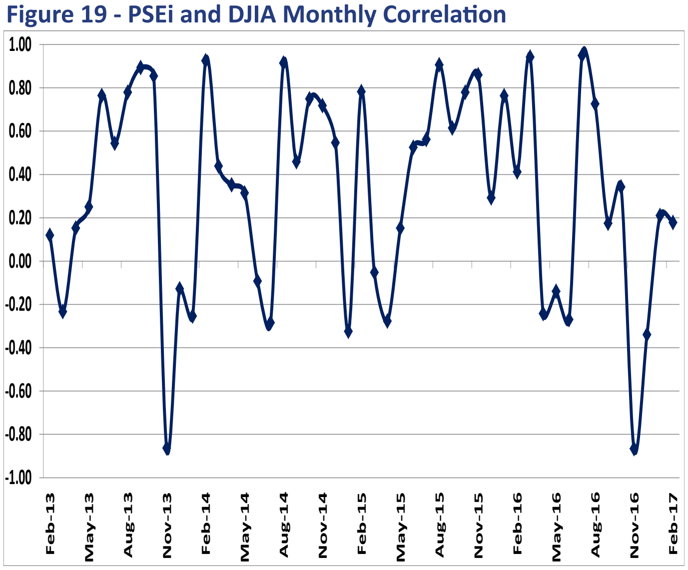
UNABLE TO BREACH 7,400 RESISTANCE, PSEi MOVES SIDEWAYS IN FEBRUARY

Despite a strong rally (+4.8%) in the U.S. stock market after President Trump assumed office and promised business-friendly policies (e.g. tax cuts, cutting down administrative regulations drastically, boosting infrastructure spending through PPP, etc.), the PSEi kept bumping against the 7,400 resistance level and maintained a sideways movement in February ending at 7,229 for a mild 0.2% drop. Local equities could not take advantage of the U.S. run-up as foreign investors continued to sell on strength, as they worried about the weakening peso and the political noise and ability of the current administration to implement its policies and programs especially the PPPs.

Outlook and Strategy

We do not see positive catalysts for local equities in the next two months. If at all, the headwinds appear daunting. These include: (1) the over 84% probability of a policy rate hike in March by the Fed in the face of strong job generation and inflation rates hitting its 2% long-term target; (2) the strengthening U.S. economy and dollar and its negative effect on the peso; and (3) the economic fundamentals on the external side show some cracks as the current account looks headed towards a deficit as a result of years of an overvalued currency. The investing strategy remains the same: patience and search for value stocks (in banking, consumer and energy sectors) and entry on market downturns. Some opportunities may also be in store for the mining counter, with the likelihood that the current anti-mining cabinet secretary fails to receive confirmation of her appointment.

Figure 19 - PSEi and DJIA Monthly Correlation



Sources: Philippine Stock Exchange (PSE) & Federal Reserve Bank of St. Louis

The PSEi and Dow Jones Industrial Average (DJIA) correlation slightly weakened as it slipped from 0.21 in the previous month to 0.18 in February. The positive correlation, especially earlier in February, came about due to common sentiment over Trump's policies and fulfilled expectations of the Fed maintaining their rates in its February meeting. During the third week, PSEi moved oppositely to DJIA as the local market traded sideways waiting for the second estimate of the Q4-2016 GDP growth of the U.S. The movements of PSEi, expected to be driven by corporate earnings, should reinforce the weak correlation of both indices. This implies that domestic developments, not global factors, shall mostly dictate PSEi's steps in the short-term.

Global Equities Markets Performances

Region	Country	Index	Growth Rate (m-o-m)	2016 YTD
Americas	US	DJIA	4.8%	4.7%
Europe	Germany	DAX	1.3%	2.0%
	London	FTSE 101	1.5%	1.2%
East Asia	Hong Kong	HIS	1.6%	7.2%
	Shanghai	SSEC	2.6%	3.4%
	Japan	NIKKEI	0.4%	-2.4%
	South Korea	KOSPI	1.2%	3.2%
Asia-Pacific	Australia	S&P/ASX 200	1.6%	-0.4%
Southeast Asia	Indonesia	JCI	1.7%	2.1%
	Malaysia	KLSE	1.3%	3.6%
	Thailand	SET	-1.1%	-0.3%
	Philippines	PSEi	-0.2%	5.1%
	Singapore	STRAITS	1.6%	6.8%

Sources: Bloomberg & Yahoo Finance

The PSEi remained relatively flat as it eased only by 17.6 points in February.

The PSEi slightly dipped by 0.2% in February due to the selling trend of foreign investors observed through most of the month. Despite the slip, PSEi did not lag far behind the other global equities markets as the latter showed minimal gains. Only DJIA and Shanghai stock indices posted significant gains with monthly growths of 4.7% and 2.6%, respectively.

Monthly Sectoral Performance				
	31-Jan-17		28-Feb-17	
Sector	Index	% Change	Index	% Change
PSEi	7,229.7	5.7%	7,212.09	-0.2%
Financial	1,752.2	5.8%	1,778.50	1.5%
Industrial	10,969.0	3.0%	11,014.25	0.4%
Holdings	7,375.2	5.5%	7,322.81	-0.7%
Property	3,286.0	7.2%	3,251.93	-1.0%
Services	1,423.5	9.3%	1,428.14	0.3%
Mining and Oil	12,078.9	1.9%	12,207.74	1.1%

Source of Basic Data: PSE Quotation Reports

The PSEi remained relatively flat as it eased only by 17.6 points in February. Despite a noticeable selling trend, the PSEi experienced a minor setback. With policy uncertainties and concerns of investors over an early Fed rate hike, sectors that posted positive gains narrowly outnumbered those in the red. Financial and Mining & Oil posted the highest growths of 1.5% and 1.1%, respectively. The resilience of the Mining sector stood out despite the Department of Environment and Natural Reasources' 2 closure order of 23 mines and the suspension of five others, followed up with the closure of another 75 mines currently in development or under exploration on February 14.

The Holdings and Property sectors could not break the selling tide and so recorded minimal losses of 0.7% and 1%, respectively.

Company	Symbol	1/31/17 Close	2/28/17 Close	% Change
Metrobank	MBT	81.50	81.00	-0.6%
Banco de Oro	BDO	112.60	115.50	2.6%
Bank of the Philippine Islands	BPI	89.60	94.00	4.9%
Security Bank Corporation	SECB	213.20	199.90	-6.2%

Source of Basic Data: PSE Quotation Reports

The Financial sector ended in the green as the sub-index rose by 1.5%. Stoking the growth, Bank of the Philippine Islands (BPI) showed the largest gain of 4.9% after it released its profits for full year of 2016 (FY 2016) amounting to P22.1 B, up strongly by 21%. The 19.2% increase in corporate loans contributed much to the substantial increase in profits.

BDO Unibank, Inc. (BDO) rose by 2.6% in February from a 0.4% gain in the previous month. Nestor Tan, the president of BDO, mentioned BDO's plans to establish 50 to 70 more branches within the year. Moreover, BDO posted a 4.4% year-on-year (y-o-y) net income growth which was driven by insurance premiums from BDO Life.

Metropolitan Bank & Trust Co. (MBT), meanwhile, ended slightly in the red due to a decrease in its yearly earnings by 3%. Sinking the most, Security Bank Corporation (SECB) shares fell by 6.2% month-on-month (m-o-m) despite showing an 11% expansion in its annual earnings for FY 2016.

Company	Symbol	1/31/17 Close	2/28/17 Close	% Change
Meralco	MER	284.8	291.8	2.5%
Aboitiz Power	AP	42.2	43	1.9%
Energy Development Corporation	EDC	5.5	5.9	8.1%
Jollibee Foods Corporation	JFC	205.6	201.8	-1.8%
Emperador Inc.	EMP	7.0	6.87	-1.3%
First Gen Corporation	FGEN	22.4	21.1	-5.8%
Universal Robina Corporation	URC	163.0	160	-1.8%
Petron Corporation	PCOR	9.3	8.7	-6.4%

Source of Basic Data: PSE Quotation Reports

The Industrial sector ended relatively flat with a slight gain of 0.4% due to mixed outcomes. In the negative territory, Petron Corporation (PCOR) continued its decreasing trend posting a slightly lower loss of 6.4% following the 6.6% loss of the previous month. Following PCOR, First Gen Corporation (FGEN) reversed its gains (+1.8%) from the previous month after its prices decreased by 5.8%.

The Holdings sector, unable to stay in the green, slumped by 0.7%.

Jollibee Foods Corporation (JFC), also in a slump, posted a drop of 1.8% despite its positive earnings report. JFC's net income for FY 2016 amounted to P6.1 B, a 24.6% surge. It reported Q4-2016 net income of P1.8 B, zooming up by 63.7%, contributing to the outperformance of last year.

Universal Robina Corporation (URC) declined this month by 1.8% primarily due to the proposed 10% tax on sugary drinks. URC is also looking to partner with Vitasoy Group, a Hong-Kong based company, in order to market its soy-based products in the Philippines.

Emperador Inc. (EMP) was down for the fourth consecutive month, registering a loss of 1.3%. The Philippine Stock Exchange decided to replace Emperador with Puregold Price Club Inc. (PGOLD) in its index by March 13, 2017.

Energy Development Corporation (EDC), balancing the losses of the sector, registered a huge growth of 8.1% after being included in the FTSE4 Good Emerging Index for its Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) practices. The FT Group created the index to aid investors with regard to CSR and ESG factors that must be taken into account by investors in their investment decisions.

Manila Electric Company (MER) landed in the green after posting a gain of 2.5%. This resulted from its P19.2 B earnings in FY 2016 being slightly above its guidance net income of P19 B. Moreover, MER announced a hefty 3% cash dividend and the possibility of an increase in electricity rates due to maintenance and an increase in fuel prices.

Not to be outdone, Aboitiz Power (AP) added another 1.9% rise on top of the 1.2% gain of the previous month. AP, in fulfillment of its diversification plans, aims to complete five new projects this year.

Company	Symbol	1/31/17 Close	2/28/17 Close	% Change
Ayala Corporation	AC	800	788	-1.5%
Metro Pacific Investments Corporation	MPI	6.8	6.8	0.0%
SM Investments Corporation	SM	690	663	-3.9%
DMCI Holdings, Inc.	DMC	12.9	12.68	-1.9%
Aboitiz Equity Ventures	AEV	74.3	73.45	-1.1%
GT Capital Holdings, Inc.	GTCAP	1,304	1,209.00	-7.3%
San Miguel Corporation	SMC	98	107.4	9.6%
Alliance Global Group, Inc.	AGI	12.5	12.7	1.3%
LT Group Inc.	LTG	13.1	14.88	13.6%
JG Summit Holdings, Inc	JGS	74.3	77.7	4.6%

Source of Basic Data: PSE Quotation Reports

The Holdings sector, unable to stay in the green, slumped by 0.7%. GT Capital Holdings Inc. (GTCAP) experienced the greatest decrease of 7.3% because of a recent proposal for higher tax on expensive cars, completely reversing its previous month's gains of 2.7%. SM Investments Corporation (SMIC) and DMCI Holdings Inc. (DMCI) experienced moderate setbacks of 3.9% and 1.9%, respectively. DMCI Power Corporation (DPC), the power generation subsidiary of DMCI, plans to increase its off-grid capacity with the installation of additional generation plants in Masbate and Palawan.

Ayala Corporation (AC) also suffered a setback of 1.5% despite its multiple expansion plans. An example of the latter, AC recently acquired a stake in BF Jade E-Service Philippines, the company that operates Zalora, enabling AC to enter the e-commerce industry.

Aboitiz Equity Ventures (AEV) suffered a minor drop in prices by 1.1%. Union Bank of the Philippines (UBP), a subsidiary of AEV, tripled its capital expenditure to P3 B for 2017 in order to hasten its transition into digital banking.

Metro Pacific Investment Corporation (MPIC) remained flat in February. The health investment arm of MPIC, Metro Pacific Hospital Holdings Inc., has put P133.5 M into Delgado Clinic Inc. to develop its equipment and facilities.

The Mining and Oil sector managed to eke out a 1.1% improvement from January.

LT Group, Inc. (LTG) kept the Holdings sector afloat, leading the sector with a hefty gain of 13.6%. Recent unverified news reports alleged that a foreign investor is looking to acquire a stake in Philippine Airlines of LTG.

Following closely behind, San Miguel Corporation (SMC) registered significant uptick of 9.6%. SMC's subsidiary, San Miguel Yamamura Packaging International Ltd., has bought out Portavin Holdings Propriety Ltd., Australia's leading supplier of wine packaging, trading and distribution products. This will allow SMC to enter the Australian market.

Alliance Global Group, Inc. (AGI) and JG Summit Holdings, Inc. (JGS) experienced moderate gains of 1.3% and 4.6%, respectively. JG Summit Petrochemical Corporation, a subsidiary of JGS, allotted another $650 M to develop its plant in Batangas.

Company	Symbol	1/31/17 Close	2/28/17 Close	% Change
Ayala Land, Inc.	ALI	35.6	35.3	-0.7%
SM Prime Holdings, Inc.	SMPH	29.7	29.4	-1.0%
Robinsons Land Corporation	RLC	25.1	23.7	-5.6%
Megaworld Corporation	MEG	3.7	3.64	-0.8%

Source of Basic Data: PSE Quotation Reports

The Property Sector notched the worst performance in February, despite registering a loss of only 1%. Robinsons Land Corporations (RLC) suffered from the worst beating as it fell by 5.6%, creating a bearish symmetrical triangle. RLC, however, plans to build its second BPO center in Davao after securing an endorsement from the city council.

SM Prime Holdings, Inc. (SMPH) share prices slightly decreased by 1% despite a substantial 14.4% jump in its FY16 earnings to P23.9 B. SM Development Corporation, a subsidiary of SMPH, is building its first condominium project in Davao City, comprised of four eight-story buildings. It targets to complete them by Q3-2018.

Megaworld Corporation (MEG) slightly trimmed its gains of 2.8% from the previous month with a loss of 0.8% because of the drop in its capital ratios, suggesting the need to raise equity capital. Ayala Land, Inc. (ALI) also experienced a price decrease of 0.7% despite a strong 19% jump in their net income for FY 2016.

Company	Symbol	1/31/17 Close	2/28/17 Close	% Change
Philippine Long Distance Tel. Co.	TEL	1,470.0	1,460.00	-0.7%
Globe Telecom	GLO	1,720.0	1,828.00	6.3%
International Container Terminal Services Inc.	ICT	77.5	76	-1.9%

Source of Basic Data: PSE Quotation Reports

The Services sector ended flat in February with a slight increase of 0.3%. Globe Telecom (GLO) provided the lone bright spot in the Service sector, rising by 6.3% after GLO reported FY 2016 net income of P15.9 B came in line with consensus estimates, albeit representing a 4% decline.

PLDT, Inc. (TEL) experienced a minor setback of 0.7% in February after gaining 7.7% in the previous month. TEL has recently partnered with Huawei to develop fifth generation wireless broadband (5G), set to be released in the Philippines by 2020.

International Container Terminal Services, Inc. (ICT) slumped by 1.9% after the expiration of its contract to operate the container port of Brunei.

Company	Symbol	1/31/17 Close	2/28/17 Close	% Change
Semirara Mining Corporation	SCC	135.2	142.3	5.3%

Source of Basic Data: PSE Quotation Reports

The Mining and Oil sector managed to eke out a 1.1% improvement from January. Semirara Mining Corporation (SCC) rose by 5.3% due to a 42% surge in net income growth for FY 2016 to P12 B. Improved world prices coupled with a huge boost in output volume drove earnings of SCC's coal segment by 48% provided the major contribution to its total net income gains.

The total turnover continued its rally from last month, growing by 2.1%

Total Turnover

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	19,616.1	7.1%	980.8	12.5%
Industrial	28,796.5	5.6%	1,439.8	10.9%
Holdings	29,695.8	-4.6%	1,484.8	0.2%
Property	23,833.4	5.5%	1,191.7	10.8%
Services	21,947.2	-2.3%	1,097.4	2.6%
Mining and Oil	6,762.9	3.3%	338.1	8.4%
Total	131,392.1	2.1%	6,569.6	7.2%
Foreign Buying	68,483.9	11.9%	3,424.2	17.5%
Foreign Selling	73,658.9	21.3%	3,682.9	27.3%
Net Buying (Selling)	(5,175.1)	1,205.6%	(258.8)	1,260.9%

Source of Basic Data: PSE Quotation Reports

The total turnover continued its rally from last month, growing by 2.1% from 0.4% growth in the previous month. However, a net selling trend took place throughout the month due to several concerns of foreign investors regarding U.S. and PH policy uncertainties. Foreigners ended in a net selling position of P5.2 B.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2015		2016		3rd Quarter 2016			4th Quarter 2016		
	Levels	Annual G.R.	Levels	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.
Production										
Agri, Hunting, Forestry and Fishing	719,748	0.1%	710,590	-1.3%	160,178	-2.1%	2.9%	213,317	33.2%	-1.1%
Industry Sector	2,535,796	6.0%	2,738,320	8.0%	642,333	-8.0%	8.4%	753,820	17.4%	7.6%
Service Sector	4,338,284	6.8%	4,664,261	7.5%	1,147,919	-5.7%	6.8%	1,229,221	7.1%	7.4%
Expenditure										
Household Final Consumption	5,264,137	6.3%	5,628,318	6.9%	1,330,062	-4.1%	7.1%	1,592,837	19.8%	6.3%
Government Final Consumption	785,347	7.8%	850,747	8.3%	201,423	-21.0%	3.1%	186,934	-7.2%	4.0%
Capital Formation	1,805,281	15.1%	2,180,842	20.8%	520,461	3.6%	18.6%	630,271	21.1%	15.0%
Exports	3,681,166	9.0%	4,016,105	9.1%	1,125,701	8.7%	8.8%	891,272	-20.8%	10.4%
Imports	3,942,163	14.0%	4,631,536	17.5%	1,238,534	10.6%	13.6%	1,126,599	-9.0%	15.0%
GDP	7,593,828	5.9%	8,113,170	6.8%	1,950,430	-6.2%	7.0%	2,196,358	12.6%	6.6%
NPI	1,540,910	5.3%	1,622,040	5.3%	388,826	-0.5%	2.3%	433,064	11.4%	4.1%
GNI	9,134,739	5.8%	9,735,210	6.6%	2,339,257	-5.3%	6.2%	2,629,423	12.4%	6.1%

Source: National Statistical Coordination Board (NSCB)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2015		2016		November-2016			December-2016		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R	Levels	Monthly G.R.	Annual G.R
Revenues	2,108,956	10.5%	2,195,914	4.1%	209,212	19.8%	17.9%	165,326	-21.0%	1.1%
Tax	1,815,475	5.6%	1,980,390	9.1%	197,758	25.5%	19.2%	152,608	-22.8%	5.6%
BIR	1,433,302	7.4%	1,567,214	9.3%	156,772	28.6%	15.0%	117,216	-25.2%	10.3%
BoC	367,534	-0.5%	396,365	7.8%	40,227	20.6%	38.4%	34,840	-13.4%	-7.7%
Others	14,639	-2.1%	16,811	14.8%	759	-66.4%	43.2%	552	-27.3%	35.6%
Non-Tax	293,317	54.9%	215,446	-26.5%	11,447	-33.1%	-0.3%	12,700	10.9%	-33.3%
Expenditures	2,230,645	12.6%	2,549,336	14.3%	228,357	29.0%	33.2%	283,555	24.2%	18.8%
Allotment to LGUs	387,559	12.6%	449,776	16.1%	36,177	1.4%	12.1%	36,368	0.5%	12.7%
Interest Payments	309,364	-3.7%	304,454	-1.6%	19,551	21.8%	22.3%	19,073	-2.4%	-11.2%
Overall Surplus (or Deficit)	(121,689)	66.5%	(353,422)	190.4%	(19,145)	716.4%	-417.5%	(118,229)	517.5%	57.3%

Source: Bureau of the Treasury (BTr)

POWER SALES AND PRODUCTION INDICATORS
Manila Electric Company Sales (In Gigawatt-hours)

	2016		December-2016			January-2017		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	39,583	8.1%	3214.90	4.9%	8.1%	3062.10	6.8%	6.8%
Residential	12,439	11.9%	974.30	5.1%	11.9%	970.40	7.4%	7.4%
Commercial	15,648	8.2%	1302.80	6.3%	8.2%	1244.30	7.0%	7.0%
Industrial	11,362	4.2%	926.70	3.0%	4.2%	836.10	5.7%	5.7%

BALANCE OF PAYMENTS (In Million U.S. Dollar)

	2014		2015		2nd Quarter 2016		3rd Quarter 2016	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT	10,756	(5.5%)	8,396	(21.9%)	64.8	-98.0%	979	1%
Balance of Trade	(12,754)	(19.8%)	(17,455)	(36.9%)	(6166.9)	90.8%	(6058)	19.5%
Balance of Goods	(17,330)	1.9%	(21,698)	25.2%	(8578.6)	104.5%	(7947)	25.6%
Exports of Goods	49,824	11.9%	43,276	(13.1%)	18718.7	0.0%	11928	6.8%
Import of Goods	67,154	8.0%	64,974	(3.2%)	25624.1	16.7%	19876	13.6%
Balance of Services	4,576	(34.8%)	4,244	(7.3%)	1673.2	73.6%	1890	50.1%
Exports of Services	25,498	9.3%	28,167	10.5%	8231.0	9.9%	8302	17.4%
Import of Services	20,922	28.2%	23,924	14.3%	6557.7	0.4%	6413	10.3%
Current Transfers & Others	-	-	-	-	-	-	-	-
II. CAPITAL AND FINANCIAL ACCOUNT	9,739	312.0%	2,605	(73.3%)	(1183.5)	-175.9%	338	-291.6%
Capital Account	108	(19.5%)	82	(24.3%)	40.9	44.8%	30	4.9%
Financial Account	9,631	331.9%	2,523	(73.8%)	(1224.4)	-179.9%	308	-250.4%
Direct Investments	1,014	1227.1%	(122)	112.1%	(1029.6)	632.8%	(498)	239.4%
Portfolio Investments	2,708	370.6%	4,757	75.6%	640.2	-81.1%	(843)	-134.4%
Financial Derivatives	4	104.5%	(33)	917.6%	60.0	-291.1%	(11)	-164.3%
Other Investments	5,905	73.2%	(2,079)	(135.2%)	(895.1)	-47.0%	1660	-165.7%
III. NET UNCLASSIFIED ITEMS	(4,091)	(2.7%)	(3,338)	(18.4%)	(486.7)	-45.7%	314	-129.1%
OVERALL BOP POSITION	(2,858)	(156.2%)	2,616	(191.5%)	843.4	4.5%	1014	719.4%
Use of Fund Credits	-	0.0%	-	0.0%	-	0.0%	-	-
Short-Term	-	0.0%	-	0.0%	(10.8)	0.1%	11	0.0%
Memo Items								
Change in Commercial Banks	6,069	177.6%	(1,170)	(119.3%)	(1078.4)	31.1%	548	-140.5%
Net Foreign Assets	5,998	194.0%	(1,071)	(117.8%)	(1048.9)	21.1%	461	-134.1%
Basic Balance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Bangko Sentral ng Pilipinas (BSP)

MONEY SUPPLY (In Million Pesos)

	2016		December-2016		January-2017	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	13,502,588	13.9%	13,502,588	13.9%	13,553,099	13.4%
Sources:						
Net Foreign Asset of the BSP	4,308,975	7.8%	4,308,975	7.8%	4422765	8.7%
Net Domestic Asset of the BSP	9,193,613	17.0%	9,193,613	17.0%	9,130,334	15.9%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3069611	15.1%	3069611	15.1%	3,032,914	15.1%
Money Supply-2	9137898	13.2%	9137898	13.2%	9,013,723	12.4%
Money Supply-3	9497935	12.7%	9497935	12.7%	9,374,949	12.4%
MONEY MULTIPLIER (M2/RM)	0.68	-0.5%	0.68	-0.5%	0.67	-0.9%

Source: Bangko Sentral ng Pilipinas (BSP)

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