May 2018

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

Led by Investment spending of both the public and private sectors, Gross Domestic Product (GDP) got back into a faster growth track with a 6.8% uptick in Q1, up from 6.5% in both Q1 and Q4-2017, second best in East Asia. Manufacturing sector again outperformed the Services Sector handily. Higher inflation at 4.5% in April constrained consumer spending as crude oil prices pierced the $70/barrel resistance.

Macroeconomy

Robust 12.5% jump in Investment spending—via elevated public and private construction expenditures gains and double-digit rise in Durable Equipment—enabled the economy to expand by 6.8% in Q1, marking the 11th consecutive month of above-6% GDP gains. Domestic demand, thus, increased by 8.5%.

- Manufacturing surged by 18.5% in Q1, buoyed further by 13.6% gain in March.
- NG spending on infrastructure and capital outlays soared by 32.4% in March.
- Capital Goods imports further climbed by 24.5% amidst gains in raw materials and intermediate goods.
- Inflation in April accelerated to 4.5%, driven by the upticks in alcoholic beverages, fuel, and utilities.
- The peso still succumbed to strengthening dollar, huge trade deficit and portfolio investment outflow.

Outlook: Robust domestic demand and production should drive the PH economy to a faster growth in Q2 and beyond. Apart from infrastructure and capital goods spending, fuller impact of the income tax cut will likely support the economic expansion.

Bonds Market

BSP raised policy rates by 25 bps to 3.25% on May 10th which calmed market. In April, investors shied away from the bond market, as seen in weaker tenders in GS auctions and in secondary market trading volume. BTr accepted higher yields in GS auction, reflecting the faster pace of inflation locally and the threat of more than 2 more Fed policy rate hikes for the rest of 2018.

- Bidders flocked into 91-day T-bill auctions with a TOR of 2.3x, while 3-yr and 7-yr T-bonds had a 2x TOR.
- Yields in auctions of T-bills soared from 49.0 to 81.3 bps, while longer-term T-bonds 37.6 to 78.2 bps.
- BSP's revised projections to 3.8% in 2019 from 4.6% in 2019), and may cap yields at the long end.
- Secondary trading volume of GS slumped by 14% (m-o-m) and 26.7% (y-o-y).
- ROPs edged a little higher than US Treasuries by 25.7 to 19.5 bps (for ROP-19 to ROP-37).

Outlook: Slower inflation in H2 and into 2019 (also per BSP) and BTr's acceptance of higher yields bids should entice investors back to the local bond market. External factors—e.g., mild US inflation and wage increases, and the North Korea-US Summit in June, however, will influence domestic yield movements. ROPs should track US Treasuries' movements with limited upside.

Equities Market

Although stock markets around the globe recovered from the March meltdown with easing political tensions (North Korea) and prospects of a mild pace of Fed rate hikes, PSEi kept treading a downward path in April, culminating in a one-year low of 7,557.91, as foreign investors continued their sell-off.

- PSEi slipped by 2% in April even as global markets recovered April due to sustained earnings and big M&A deals.
- All sectors remained in the red last month except Holdings (which had an uptick of +0.9%).
- Services and Financial sectors plummeted most with 6.7% and 5.7% losses, respectively.
- Net foreign selling persisted to the tune of P8.8B, albeit less by 54% from P19.3-B in March.

Outlook: While further losses in PSEi are seen to be limited and short-lived, we expect the local bourse to undergo a rather gradual recovery, given the lack of positive drivers amid prospects of higher inflation rate, mildly weaker peso and larger fiscal deficits.

Economic Indicators (% change, latest month, unless otherwise stated)	Previous Month	Latest Month	Year-to-Date	2016 (year-end)	2017 (year-end)	2018 FMIC Forecast
GDP Growth (y-o-y, quarterly)	6.5%	6.8%	6.8%	6.9%	6.7%	7-7.5%
Inflation Rate (April)	4.3%	4.5%	4.0%	1.3%	2.9%	4.0-4.3%
Government Spending (March)	36.9%	29.5%	27.1%	4.1%	12.6%	12%
Gross International Reserves ($B) (March)	80.4	80.5	80.5	80.7	81.6	80.0
PHP/USD rate (April)	52.07	52.10	51.60	47.49	50.40	52.50
10-year T-bond yield (end-March YTD bps change)	6.0	6.203	11.8%	4.15%	4.93%	5.55-5.80%
PSEi (end-April YTD % change)	7,979.8	7,819.2	-11.6%	6,840.6	8,558.4	9,400

Sources: Philippine Statistics Authority (PSA), Bangko Sentral ng Pilipinas (BSP), Philippine Stock Exchange (PSE), Philippine Dealing System (PDS), and Authors' Calculations

ROBUST PUBLIC AND PRIVATE INVESTMENTS PLUS MANUFACTURING BOOST Q1 GDP TO 6.8%

Infrastructure spending soared by 25.1%, while Durable Equipment hit a double-digit pace with a 10.1% growth, and manufacturing output outshone in Q1-2018 to boost Gross Domestic Product (GDP) expansion in Q1 by 6.8%, an acceleration from 6.5% in both Q1 and Q4-2017. The elevated gains in manufacturing (+8%) and overall employment should continue to contribute to robust consumer spending as well in the coming quarters. The fly in the ointment came from the faster inflation rate of 4.5% in April from 4.3% in the previous month, although the pace appears to be slowing down.

Outlook: Solid gains in domestic demand and production sectors in Q1 will likely continue for the rest of the year. Despite slightly milder business confidence for Q1, the reading for Q2 ended higher. With TRAIN 1's tax cut and subsidies to low-income households being more felt only late in Q1, we expect more robust gains in consumer spending starting Q2, even as it had a below-par record in Q1. To provide an additional lift, exports should pick up also by Q2 in response to the widely expected strong rebound of the US economy as the corporate tax cuts get channeled into investment spending.

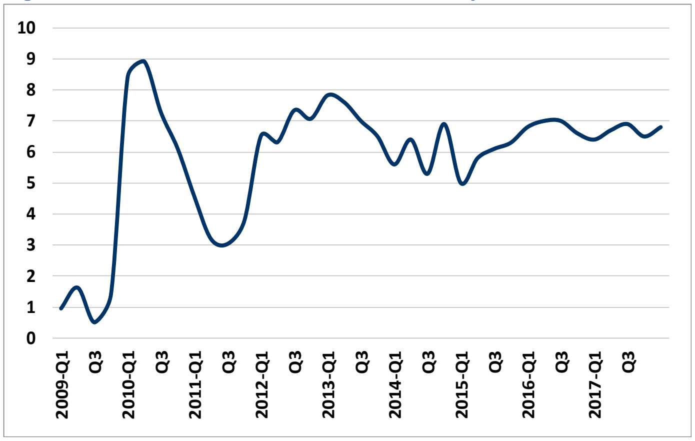
PH 6.8% Growth in Q1 Beats Other ASEAN Except Vietnam, and China

Backed by hefty gains in manufacturing, strong investments, and robust NG spending (especially on infrastructure and other capital outlays), the country's economic expansion in the first quarter of 2018 stood at 6.8%, marking the 11th uninterrupted quarters of above-6% growth. Except for Vietnam, PH along with China stood ahead of the rest of the Southeast Asian neighbors.

Domestic demand grew by 8.3%, above the 5% mark for the 14th consecutive quarter, driven by stronger NG spending which registered a double-digit growth of 27.1% in Q1 still owing to the administration's commitment to fast track infrastructure spending under the banner of the "Build Build Build" program which is expected to contribute 1.1 M jobs annually in the medium term. Capital Formation, up 12.5%, also propelled domestic demand, fueled by Construction spending (+10.1%). Higher capital goods spending in 14 out of 20 sectors provided a strong push, with investments in mining and construction, machineries and office machines & data processing posting the fastest growth (+37%). Meanwhile, Consumption spending continued to grow at 5.6% amidst higher gains in the peso-equivalent of the OFW remittances. The expansion, however, was slower than the past quarters probably reflecting lower purchasing power due to higher inflation and the TRAIN effects. The lackluster performance in the merchandise exports pulled down total exports growth to only 6.2%, a far outcry from the double-digit growth recorded in the previous quarter.

In the production side, the Industry sector posted the highest increase of 7.9%, boosted by the 8% expansion of gains in the Manufacturing sub-sector. The Radio, Television and Communication Equipment and Apparatus; Office, Accounting and Computing Machinery; and Non-Metallic Mineral Products industries contributed significantly in the uptrend. Construction sub-sector continued to bloat by 9.3% but a bit slower than the 9.7% growth in Q1 2017. Mining and Quarrying and Electricity, Gas and Water Supply sub-sectors also accelerated to 4.5% and 6%, respectively.

Figure 1 - Gross Domestic Product Quarterly Growth Rate



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

The Services sector further accelerated to 7% from 6.9% in Q4-2017, buoyed by the gains in Transport, Storage and Communication (+6.4%) and Public Administration & Defense, Compulsory Social Security (+13.2%). Meanwhile, the Agriculture sector slowdown posting only a 1.5%

Infrastructure and other capital outlays continued its torrid pace, as it soared by 32.4% in March, leading National Government (NG) expenditures to another 30%+ growth.

increase (from 4.9% in the same quarter last year) amidst the negative growth in Fishing sub-sector. Decline in sugarcane (-11.3%), mango (-9.4%), cassava (-7.8%); and coffee (8.7%), coupled with the contraction in forestry (-12.7) also down the agriculture performance.

We think that the NGs 7-8% economic expansion target in FY 2018 will be hit anchored on the strong domestic demand, various infrastructures projects, and the rebound in some industries (i.e., Mining and Quarrying, Construction) as well as in exports.

GDP Growth (Year-on-Year)	FY 2017	Q1 2018	Industrial Production
Indonesia	5.1	5.1	3.5 (Feb)
Malaysia	5.9	5.8	3.0 (Feb)
Thailand	3.9	4.0	2.6 (Mar)
Philippines	6.7	6.8	24.8 (Feb)
Singapore	3.6	2.5	5.9 (Mar)
China	6.9	6.8	6.0 (Mar)

Source of Basic Data: The Economist

Infra Spending Sustains Torrid Pace, Soars by 32.4% in March

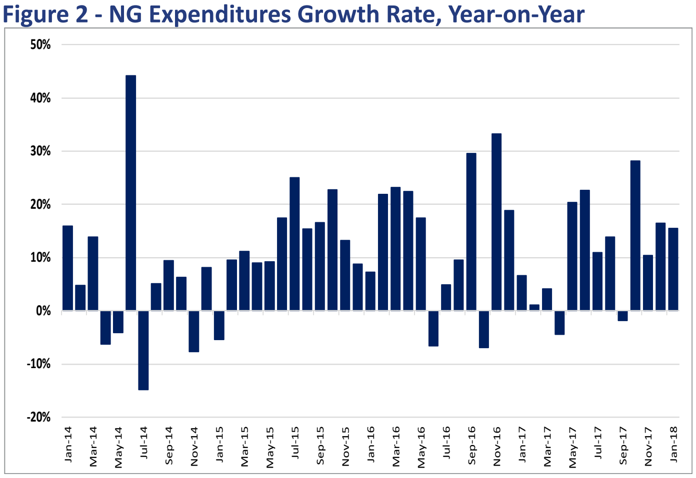
Infrastructure and other capital outlays continued its torrid pace, as it soared by 32.4% in March, leading National Government (NG) expenditures to another 30%+ growth. The construction of roads and police stations, as well as the rehabilitation of schools accounted for the strong outlay on infrastructure to enable NG spending to jump by 30%. The increase in subsidies also skyrocketed by 320% to P35.2 B, bulk of which went to the health insurance premiums of senior citizens and the tax reform cash subsidies for low-income households. Excluding interest payments, NG spending shot up by 35.7% (year-on-year, y-o-y).

Robust expansion in NG spending (marking the 3rd consecutive month of above 10% gains in 2018) resulted in 27% growth in the first three months of the year, totaling to P782 B. Actual spending in Q1 paced higher by 3.5% (equivalent to P26.2 B) than the programmed spending, suggesting that various reforms and programs are indeed implemented.

Meanwhile, strong monthly tax revenue collections rose by 13.4%, attributed to higher take from the Bureau of Internal Revenue (BIR) amidst the implementation of TRAIN and large collections from the Bureau of Customs (BoC). The BIR raked in a total of P130.8 B, 11.7% more than in the same period last year, reflecting higher taxes on petroleum and beverages. BoC collections also increased by 21.2% (to P45.3 B), due to higher imports, especially on capital goods and raw materials, supported by the 3.6% peso depreciation.

NG spending, however, outpaced revenue collections resulting in a fiscal deficit of P110.6 B. The cumulative deficit for the first quarter reached P162.2 B, nearly double that of P83 B a year ago. Netting out interest payments, the NG primary deficit for Q1 of P55 B reversed from a small primary surplus of P14.9 B in Q1-2017.

Figure 2 - NG Expenditures Growth Rate, Year-on-Year

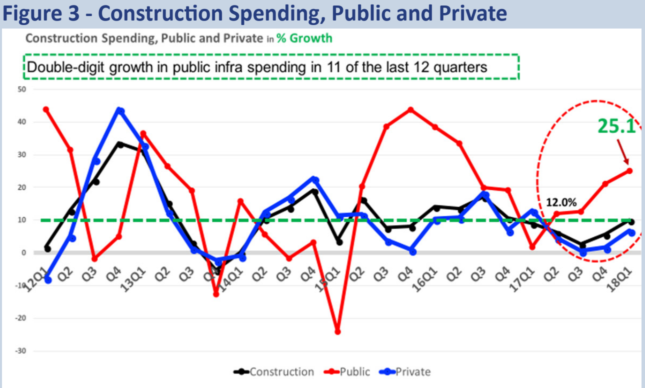


Source of Basic Data: Bureau of Treasury (BTr)

Acceleration in Pres. Duterte's "Build, Build, Build". While Metro Manila commuters and car owners suffer daily from the worsening traffic congestion, relief may be in sight as the government's infrastructure program appears to go "full steam ahead." Not only has the Department of Public Works and Highways (DPWH) managed to expand work by double-digit pace in 11 out of the last 12 quarters, a new acceleration may be observed in the last four quarters. From 12% in Q2-2017 (y-o-y) growth, this has reached 25.1% in Q1-2018 (see graph).

Imports of capital goods growth further accelerated in February to 24.5% from 17% a month ago to superb gains in all categories, save for the imports of Land Transportation Equipment.

Figure 3 - Construction Spending, Public and Private



Source of Basic Data: First Metro Securities Brokerage Corporation

This is understandable. As late as 2012, the DPWH had a budget of only $2.5 B. This year it has more than five times that or $13 B. But we have to go beyond the numbers and look at specifics.

Agency	Project		Period	
DPWH	Pasig-Laguna River Basin (Flood Control)	P6.2 B	Late 2016 to Jan 2019	25%
DPWH	Central Luzon Eastern Expressway CCLEX (Tarlac City to Cabanatuan)	P14.9 B	Late-2016 to 2020	20%
DPWH	BGC – Ortigas Bridge Link	P1.8 B	Oct 2017 to June 2020	8%
DPWH	Capas-Botolan, Zambales (West link, 81km)	P5.9 B	2016 to 2022	5%
DPWH	Dalton Pass Tunnel (Nueva Ecija-Nueva Vizcaya link)	P4.8 B	2018 to 2022	Just started
DPWH	Plaridel-San Rafael Bulacan elevated by-pass	P3.7 B	2013 to July2018	95%
DPWH	Skyway Phase 3 (Buendia-Balintawak)	P37.4 B	2015 to Q4-2019	70%
DPWH	NLEX Harbor Segment 10 (MacArthur to Araneta)	P5.5 B	2016 to Dec 2018	80%
DPWH	CALAX (Cavitex-SLEx link),	P35.7 B	2018 to Q4 2020	10%
DOTr	LRT-1 Extension to Bacoor	P64.9 B	2018 to 2011	Starts 2018
DOTr	MRT-7 SM North-Trinoma- San Jose, Bulacan	P62.7 B	Late-2017 to 2020	10%
DOTr	Cebu International Airport Expansion	P15.7	To Q3 2018	95%
DOTr	Clark International Airport Expansion	P12.6 B	2018 to 2020	Just started

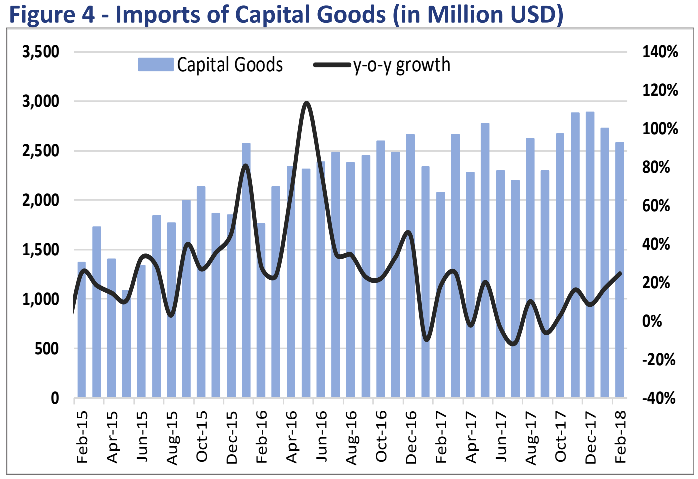
We further took a sample of 35 projects of DPWH valued at P22.6 B that were mostly started in late-2016 or 2017 and scheduled to end by 2018. Based on the latest status report of DPWH on average these projects were 67% complete, which suggests being on track to finish as scheduled. Based on an interview with a project proponent, even PPP projects are moving faster in this administration. The new Right-of-Way Act (ROWA, R.A. 10752) law and implementing regulations appear to convince landowners that ROWA system is more fair and, thus, less resort to expropriations would be needed. Besides, in the latter case, the law provides that the government agency only needs to put 50% of the expropriation money in escrow (a last resort), and the project can proceed.

We think that the NG is moving fast enough to enable it to accomplish a substantial part of its Build, Build, Build program.

Capital Goods Imports Further Surge by 24.5% in February

Imports of capital goods growth further accelerated in February to 24.5% from 17% a month ago to superb gains in all categories, save for the imports of Land Transportation Equipment. Capital goods in February accounted for 32% of total imports. Heavily weighted imports (i.e., Power Generating and Specialized Machines and Telecommunication Equipment) posted gains of 55.2% and 11.5%, respectively.

Figure 4 - Imports of Capital Goods (in Million USD)



Source of Basic Data: Philippine Statistics Authority (PSA)

Consistent with the past trend, Raw Materials & Intermediate Goods imports captured the largest share of total imports at 38% and rose by 19.2% driven by hefty gains in Manufactured Goods and Semi-Processed Raw Materials. Large imports of durable (i.e., passenger cars and home appliances) and nondurable goods (i.e., beverage, articles of apparel, among others), likewise, boosted Consumer Goods imports (+20.3%). Meanwhile, lower demand for other related-petroleum materials offset the gains brought about by the imports of crude and oil, resulting in a nearly flat growth of the Mineral Fuels, Lubricant and Related Materials category (+0.1%).

The country's manufacturing output (measured by Volume of Production Index or VoPI) sustained its double-digit expansion in March with its 13.6% rise.

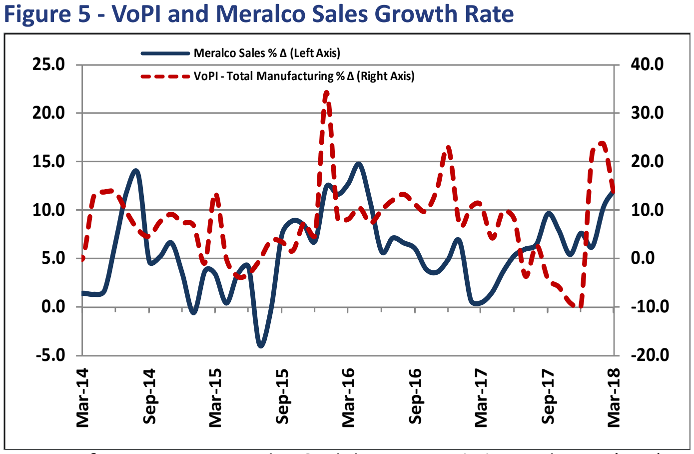
Nonetheless, hefty increases in the other categories pushed total imports to grow by 18.6% to $7.7 B while exports fell by 1.8%. Thus, trade deficit remained high at $3.1 B, albeit lower than the $3.2 B in January 2018.

We think that the rapid expansion in the import of capital goods will continue, especially with elevated spending on public and private investment.

Manufacturing Sustains Double-digit Growth in March, Up 18.5% in Q1

The country's manufacturing output (measured by Volume of Production Index or VoPI) sustained its double-digit expansion in March with its 13.6% rise. While this came out slower than the revised figure of 23.7% in February, it nonetheless marked the 3rd straight month of double-digit expansion in 2018. Consequently, industrial output growth in Q1 bumped up by 18.5%. March's gain may be attributed to eight out of 23 industry sub groupings posting above 10% growth.

Figure 5 - VoPI and Meralco Sales Growth Rate



Source of Basic Data: Meralco & Philippine Statistics Authority (PSA)

This included Printing (+107.6%), Textiles (+32.9%), Food manufacturing (+28.0%), and Miscelleneous Manufactures (+15.5%), among others.

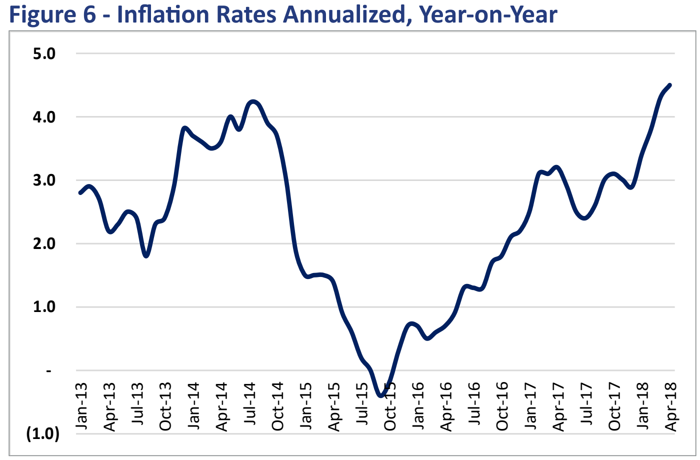
Energy demand, likewise, accelerated at a double-digit pace to 12% y-o-y amidst broad-based increase in electricity use across all customer categories, led by the Residential segment which rose by 15% y-o-y. Frequent use of air-condition units and electric fans during the height of the summer period could explain the large demand coming from this segment. The Commercial and Industrial categories also expanded by 10.9% and 7.3%, respectively, suggesting more business activities in malls and other commercial edifices, as well as, higher production in manufacturing and industrial sectors.

We think that both the production index and Meralco sales will continue to expand in the near to medium term, supporting our view that the industrial sector will lead growth in 2018, at the same that it should stimulate stronger job creation.

Inflation Continues to Rise Reaching 4.5% in April

Price upticks further accelerated to a quicker pace at 4.5% in April from 4.3% in the preceding month, bringing the year-to-date (YTD) rate at the upper end of the BSP's target. Price increments in eight out of 11 categories largely drove overall prices for consumer goods higher.

Figure 6 - Inflation Rates Annualized, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)
Note: base year used is 2012

We observed highest price gains in the heavily-weighted Alcoholic Beverages and Tobacco (ABT), which recorded a 1.4 percentage points increase, reflecting TRAIN's higher excise taxes on alcoholic beverages and cigarettes. The inflationary effect of taxes on these goods spilled over to other commodities, pushing the Restaurants and Miscellaneous Goods and Services index 0.4 percentage points higher, even though partly due to higher food prices last month.

The Transport index also posted increments due to higher international prices of crude oil (i.e., WTI and Brent), which rose by 7% on average. Higher petroleum and electricity

PH exports showed a lackluster performance in February amidst weaker demand from top export destination countries (i.e., US, Japan, Hong Kong), posting a 1.8% y-o-y decline in February to $4.7 B.

charges, likewise, pulled up the Housing, Water, Electricity, Gas, and Other Fuels (HWEGOF) index. Meralco rates in April increased by P0.23/kWh to P10.55/kWh due to higher generation charges and half from a March rate hike. Slight price acceleration also hit other indices (i.e., Recreation and Culture, Household Equipment and Routine Maintenance of the House, and Health), while the rest of the index maintained the past month's rate.

Inflation Year-on-Year Growth Rates	Apr2018	Mar2018	YTD
All items	4.5%	4.3%	4.0%
Food and Non-Alcoholic Beverages	5.9%	5.9%	5.2%
Alcoholic Beverages and Tobacco	20.0%	18.6%	16.9%
Clothing and Footwear	2.2%	2.0%	2.0%
Housing, Water, Electricity, Gas, and Other Fuels	3.0%	2.9%	2.8%
Furnishing, Household Equipment and Routine Maintenance of the House	2.8%	2.7%	2.5%
Health	2.8%	2.4%	2.3%
Transport	4.9%	4.6%	4.9%
Recreation and Culture	1.5%	1.4%	1.4%
Restaurants and Miscellaneous Goods and Services	3.4%	3.0%	2.8%

Source of Basic Data: Philippine Statistics Authority (PSA)

Note: Green font - means higher rate (bad) vs. previous month
Red font – means lower rate (good) vs. previous month

We maintain our view that inflation will continue to breach the BSP's upper target but will start to head back closer to 4% in Q3. After all, US Department of Energy's latest forecast sees a peak in the WTI average prices in May and June and declining steadily, thereafter, until the end of 2019.

Money Growth Picks Up Pace in March

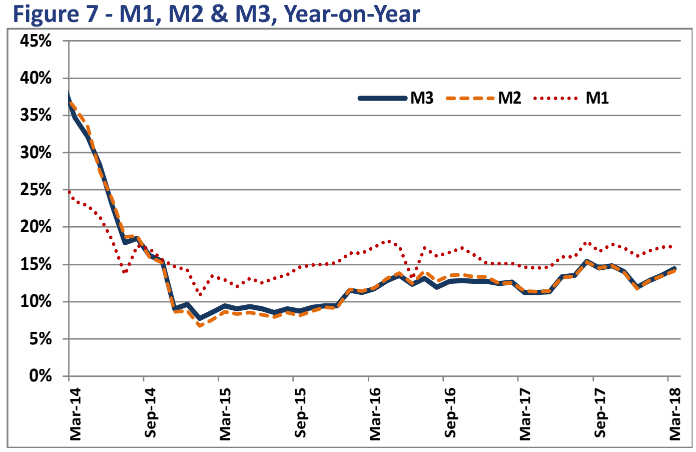
Sustained by the loans used in productive activities, monetary aggregates picked up pace in March with domestic liquidity (M3) expanding by 14.4% y-o-y to P10.9 T compared with the 13.5% increase in February. Broad Money (M2) and Narrow Money (M1) growth, likewise, accelerated to 14.1% and 17.4%, respectively. The faster rise may be attributable to the 1 percentage point cut in reserve requirements on February 15 this year.

Commercial bank lending, comprising 88% of banks' loan portfolio, grew by 18.1%, albeit slower than the 18.6% recorded in the previous month. Loans used for Real Estate Activities (+18.6%); Electricity, Gas, Steam and Airconditioning Supply (+23.7%); Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles (+17.6%); and Manufacturing (11.1%), drove growth in the production loans, among others.

Likewise, Net Foreign Assets (NFA) of monetary authorities increased by 3.4% from 2.2% in the preceding month, reflecting higher dollar inflows from Filipino overseas workers and BPO employees.

This continued expansion in money supply, coupled with faster uptick in inflation, give us reason to revise our view that the Monetary Board (MB) will now likely increase policy rates before the end of Q2.

Figure 7 - M1, M2 & M3, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

Exports Decline by 1.8% in February

PH exports showed a lackluster performance in February amidst weaker demand from top export destination countries (i.e., US, Japan, Hong Kong), posting a 1.8% y-o-y decline in February to $4.7 B, much slower than the 3.5% gains recorded in January. Declines in five out of 10 key commodities also pulled down exports growth.

We should point out, however, that PSA's revised figures for 2017 would show total exports at $68.7 B (from $63.3 B). This would represent a 19.7% jump compared to the earlier estimate of a 10.2% growth. Similarly, the balance of trade deficit revised lower than originally estimated ($29.6 B) to ($27.4 B).

Electronic products still took the lion's share, accounting for more than 50% of total exports receipts with earnings totaling to $2.6 B. It continued to expand by 4.6% y-o-y from its previous value of $2.5 B. Semiconductors, which

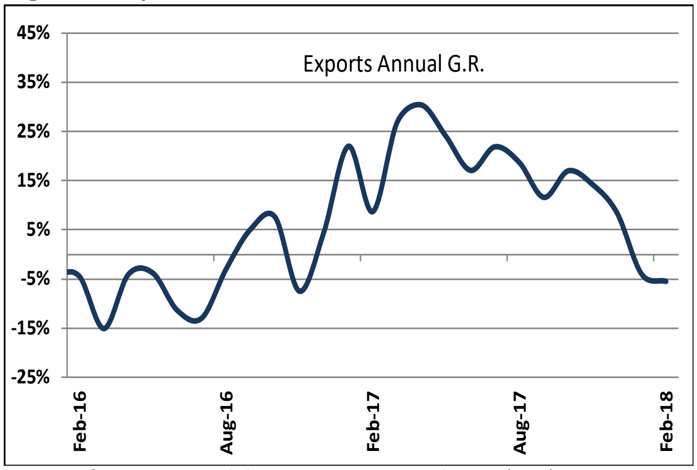
Remittances from Filipino overseas workers continued to pour in February albeit at a slower pace due to the usual seasonal factors. Personal remittances amounted to $2.5 B, representing a 5.4% y-o-y expansion.

had the biggest share among electronic products at 39.9%, also posted an increase of 8.5% to $1.9 B. Exports of Metal Components at 4th, likewise, registered a hefty increase of 91.1% to $184.2 M (comprising 4% of total exports).

The rest of the top five commodities declined, starting off withthe exports of Other Manufactured Goods, which ranked 2ndand accounted for 6.6% share. Outward shipments of these items fell by 10.8%. Shipments of Machinery and Transport Equipment also decreased by 9.9%. In 5th place, exports of Ignition Wiring Sets used in Vehicles, Aircrafts and Ships declined by 35%, accounting for a 2.5% share.

US overtook Japan in first place, comprising 15.1% of total shipments (equivalent to $705 M). Exports to the US, however, declined by 5.4% from $745 M recorded in the same period last year. Japan and Hong Kong ranked 2nd and 3rd with export receipts also down by 6.5% (to $680 M) and 9.3% (to $636 M), respectively. Meanwhile, outbound trade to China increased by 6.4% with sales amounting to $521 M. Singapore ranked 5th showing a hefty increase of 23.5% to $356.2 M.

Figure 8 - Exports Growth Rates, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

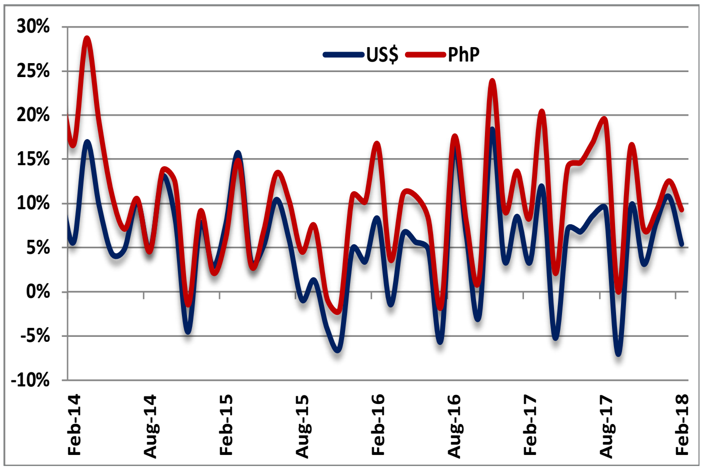
Half of the total exports in February headed towards East Asian (EA) nations, valued at $2.2 B. Outward sales to the region declined by 5.8% due to lower demand from Hong Kong and Japan. Exports to the ASEAN accounted for 17.6% of total shipments, posted a 9% gain. ASEAN+East Asia ex-Japan accounted for 49.7% of total exports. Shipments to the EU increased by 9.4% valued at $650 M.

Despite the unremarkable exports growth recorded in the first two months of the year reflecting slower GDP growth in the US in Q1, we still believe that PH exports performance is set to a faster growth pace especially with the strong recovery in China and Japan, and pick up in the US after the huge corporate tax cut gets channeled to investment spending.

Remittance Gains Decelerate Further in February

Remittances from Filipino overseas workers continued to pour in February albeit at a slower pace due to the usual seasonal factors. Personal remittances amounted to $2.5 B, representing a 5.4% y-o-y expansion. The continuous inflow was sustained by the 6.5% expansion by the land-based workers and the 9.7% increase in remittances from those sea-based and land-based workers with work contracts of less than one year.

Figure 9 - OFW Remittances Growth



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

Similarly, cash remittances (i.e., coursed through banks), grew by 4.5% to $2.3 B mostly coming from the US, United Arab Emirates (UAE), Saudi Arabia, Singapore, Japan, United Kingdom, Qatar, Germany, Hong Kong and Canada which collectively accounted for 80% of total remittances.

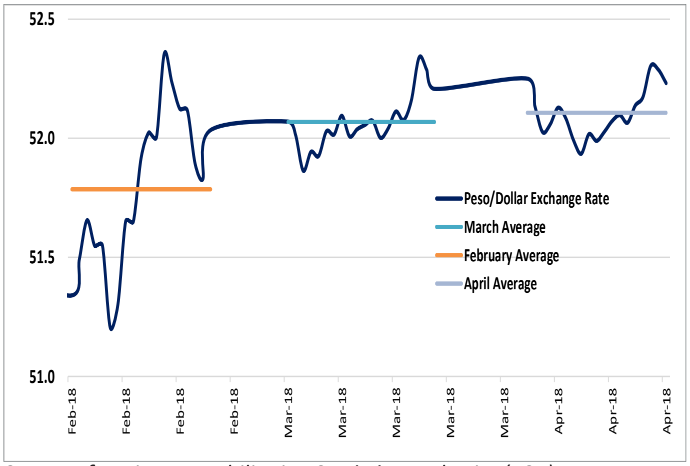
The peso equivalent of these inflows also registered a 9.3% gain, sustained by the 3.7% y-o-y peso depreciation. We believe that the remittances may retain this milder pace in Q2, since March usually shows a lot strength.

Huge trade deficit and the outflow of portfolio investments following the Fed rate hike also added weakness to the peso. The peso averaged at P52.11/$ in April, representing a 0.1% depreciation from last month.

Peso Continues to Weaken Against the Greenback in April

The strengthening dollar amidst solid upswing in the US economy further put pressure on the Philippine peso. The greenback marked its strongest month in April due to rising yields and positive economic data. Huge trade deficit and the outflow of portfolio investments following the Fed rate hike also added weakness to the peso. The peso averaged at P52.11/$ in April, representing a 0.1% depreciation from last month. This marked the 4th consecutive month of peso depreciation in 2018. The pair hovered between a high of P52.30 and a low of P51.94, further reducing the volatility measure to 0.10 from 0.11 in March.

Figure 10 - Daily Dollar-Peso Exchange Rate



Source of Basic Data: Philippine Statistics Authority (PSA)

Apart from the peso, other emerging currencies also succumbed to losses against the greenback. Indian rupee (INR) still edged downward due to sustained foreign fund outflows. A wide current account deficit, likewise, added pressure to the weak Indonesia's rupiah (IDR). Thailand's Baht (THB) also dipped as tourist arrivals dwindled after the Songkran Festival, coupled with dividend and investment outflows.

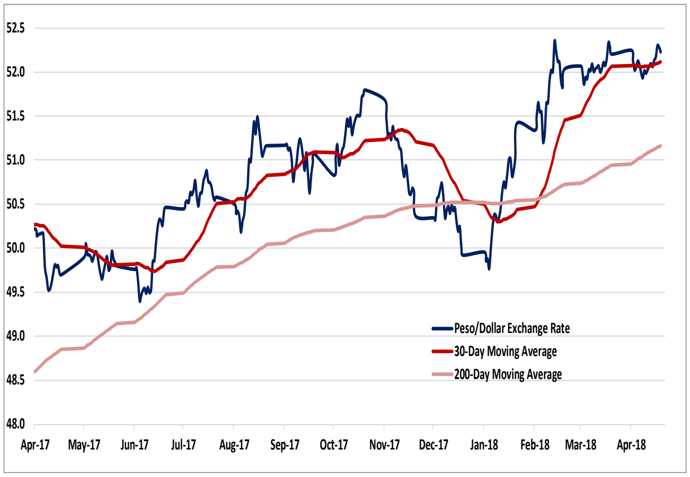
On the other hand, rising oil prices sustained Malaysia (MYR) and Singapore (SGD) currencies' strength. Moreover, MYR's gain was aided by the Malaysia's requirement to convert 75% of their exporters' proceeds into the ringgit. Meanwhile, Chinese yuan (CNY) erased its past month loss, following the announcement to include China's yuan-denominated bonds in the Bloomberg Barclays Global Aggregate Index. The possibility that China's trade war with the US may be averted, likewise, added boost to CNY.

Exchange Rates vs USD for Selected Asian Countries			
	Mar-18	Apr-18	YTD
AUD	1.5%	1.0%	-0.7%
CNY	0.1%	-0.4%	-4.6%
INR	1.0%	0.9%	2.1%
IDR	1.3%	0.3%	1.9%
KRW	-0.6%	-0.4%	-1.5%
MYR	-0.1%	-0.5%	-4.8%
PHP	0.5%	0.1%	3.4%
SGD	-0.3%	0.0%	-2.4%
THB	-0.6%	0.1%	-4.1%

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

Note: Positive changes mean depreciation and negative changes mean appreciation against the greenback

Figure 11 - Dollar-Peso Exchange Rates & Moving Averages



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

The actual USD/PHP rate in April remained above both the 30-day and the 200-day moving averages (MAs), suggesting that the peso will remain under pressure in the near and long term. PH's large trade deficits and improving economic fundamentals in the US will largely explain the depreciation, albeit slower, of the peso.

Private investment spending should also expand by double-digits in Q1 as suggested by the accelerating pace of capital goods imports well above-10%.

Outlook

The strong start of the economy in 2018 noted in our April issue appeared to gain further traction with the economic data releases in April.

• Manufacturing output, measured by VOPI, for Q1 clocking at nearly 20% (even though preliminary) together with especially robust gains in infrastructure spending and electricity sales, should combine to again enable the Industrial sector to lead Q2 GDP growth.

• Private investment spending should also continue to be robust as suggested by the accelerating pace of capital goods imports well above-10%.

• Headline inflation rate picked up further to 4.5% in April, but given the smaller increments in inflation rates in the past months, it is likely to hit a peak in Q2. We do expect it to ease back towards the 4% upper limit of BSP's target in H2.

• BSP has raised policy rates by 25 basis points (bps) to 3.25%, and with the continued breach of the 4% target limit and strengthening US dollar and bond yields, we think that the BSP will raise policy rates again towards the end of 2018 by another 25 bps.

• While exports fell slightly in February, this was consistent with the slowdown in US Q1 GDP growth to 2.3% from 2.9% in Q4-2017. But with US corporate tax cuts taking effect starting February, growth should accelerate in Q2 and with it increase demand for PH exports, directly or indirectly through ASEAN, China, and Japan.

• The pressure on the peso will emanate from the PH's high trade deficits and the strengthening US economy and dollar. However, our projected policy rate hike should provide a breather and/or slowing down of the trend.

Forecasts			
Rates	May	June	July
Inflation (y-o-y %)	4.6	4.6	4.5
91-day T-Bill (%)	3.16	3.25	3.34
Peso-Dollar (P/$)	52.33	52.67	53.05
10-year T-Bond (%)	6.04	6.14	6.24

Source: Authors' Estimates

YIELDS CONTINUE TO RISE, BUT APPEAR TO PLATEAU

The 25 basis points (bps) policy rate hike to 3.25% by the Bangko Sentral ng Pilipinas (BSP) on May 10th appeared to put a ceiling on the upward trend in local bond yields as trading volume picked up in the first few days after the announcement. Bond yields in April had continued to rise as concerns mounted about the rising inflation even as crude oil prices broke through $70/barrel, the highest since 2014, and the US dollar recovered at the back of its strong employment and capital spending gains. Local bond investors veered towards shortest tenors during April's auctions of government securities (GS) even though the Bureau of the Treasury (BTr) showed willingness to accept higher yields at its now weekly auctions for longer-dated papers. Weaker volumes and higher yields also held sway in the GS secondary market.

Outlook: The BSP's 25 bps policy rate hike to 3.25% last May 10th and the robust 6.8% Q1 GDP growth of the PH economy should provide bond investors more confidence to take on more risk for bonds. The slowing of the headline inflation rate in H2, the BSP's forecast for a significantly lower inflation rate to 3.4% in 2019 from (revised) 4.6% this year and the higher probability of only three Fed rate hikes in 2018 should provide relief to the market and should create some space for yields to soften a bit, as yields have raced higher due to domestic certainties.

GS Auctions: Bunching at Short End, While Getting Higher Yields at Long End

As the Bureau of the Treasury (BTr) raised its borrowing requirement to P100 B per month in Q2 from P80 B in Q1, investors responded by flocking to the short end of the curve where the demand for 91-day Treasury bills (T-bills) proved strongest, while driving yields for longer-tenor Treasury bonds (T-bonds) significantly higher.

While the tender-offer ratio (TOR) for 91-day T-bills rose to 2.2 in April compared to 1.7 in March, the TOR for the 182-day T-bills and 364-day T-bills fell below 1.0, i.e., bids failed to even match the BTr's offerings for these tenors of P4 B and P6 B, respectively. As a consequence, yields for the shortest tenor T-bills rose (cumulatively) during the month by 49 bps to 3.485% from 2.995% a month ago. For the 182-day T-bills the yields jumped by 81.3 bps to reach 4.019% while 364-day T-bills yielded 3.986% in its last awarded auction on April 23, or 55.2 bps higher than end-March.

The yields in the 364-day T-bills appeared understated since BTr rejected completely three out of the five auctions (including the last for April) while it did it twice for the 182-day T-bills. The TOR for 182-day T-bills came at 0.98 quite close to that achieved in the previous month. For the 364-day T-bills, the TOR sank to 0.49 a huge fall from 0.81 in March.

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave.Yield	Change bps
2-Apr	91-day	5.00	8.725	3.265	1.745	3.191	19.6
	182-day	4.00	2.663		0.666		
	364-day	6.00	2.443		0.407		
10-Apr	91-day	5.00	8.901	5.000	1.780	3.346	15.5
	182-day	4.00	3.130	-	0.782	-	
	364-day	6.00	2.940	-	0.490	-	
16-Apr	91-day	5.00	11.527	5.000	2.305	3.493	14.7
	182-day	4.00	3.330	2.000	0.832	3.684	47.8
	364-day	6.00	3.435	1.735	0.572	3.830	39.6
23-Apr	91-day	5.00	10.914	5.000	2.183	3.597	10.4
	182-day	4.00	4.085	3.515	1.021	3.889	20.5
	364-day	6.00	2.880	1.630	0.480	3.986	15.6
30-Apr	91-day	5.00	15.153	5.000	3.031	3.485	(11.2)
	182-day	4.00	6.357	3.432	1.589	4.019	13.0
	364-day	6.00	2.980	-	0.487		
Subtotal		75.00	89.460	35.580	1.193		
3-Apr	3-year	10.00	20.006	10.000	2.001	4.632	37.6
11-Apr	7-year	10.00	20.668	7.932	2.067	5.712	78.2
19-Apr	10-year	10.00	17.278	10.000	1.728	6.213	2.9
24-Apr	20-year	10.00	19.361	4.260	1.936	6.850	43.6
Subtotal		40.00	48.690	20.029	1.217		
All Auctions		115.00	138.15	55.610	1.201		

Source: Philippine Dealing Systems (PDS)

BTr, however, appeared more willing to give higher yields to longer-term issues in order to maintain liquidity in the market. The yields rose most for the 7-year T-bonds which increased by 78.2% to hit 5.712% in the April 11th auction, while the 10-year T-bond yields had the slowest rise of 2.9

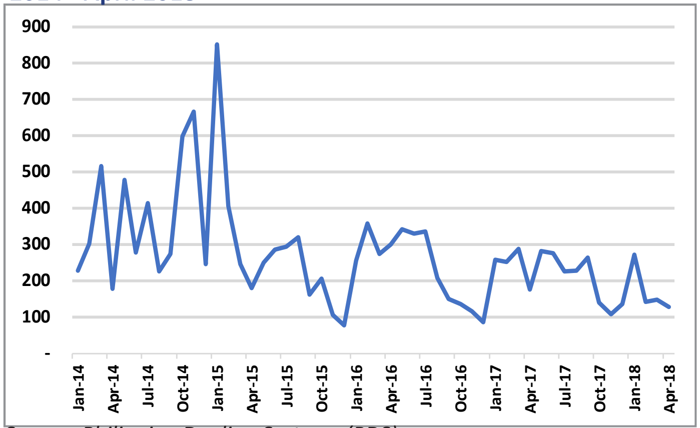
The secondary market for Government Securities (GS) continued to slump, dropping by 14% to P127.7 B in April (m-o-m) from P148.4-B in March, and by 27.6% (y-o-y) from a year ago.

bps to 6.213% in the April 19th auction. The 3-year T-bond yield of 4.362% came in 37.6 bps higher than its previous offering on January 23, 2018. On the other hand, the 20-year T-bond yielded 6.835% in its April 24th auction, up by 43.6 bps, but at that time, BTr only accepted 42.6% of the tenor on offer.

GS Secondary Market: Continued Volume Weakness, While Yields Jump

The secondary market for Government Securities (GS) continued to slump, dropping by 14% to P127.7 B in April (m-o-m) from P148.4 B in March, and by 27.6% (y-o-y) from a year ago. To date, this marks the lowest trading volume for 2018. Year-to-date (YTD), volume tumbled by 29.1% a tad less than the 29.4% fall by March.

Figure 12 - Monthly Total Turnover (in Billion Pesos) January 2014 - April 2018



Source: Philippine Dealing Systems (PDS)

With weak investor demand, yields moved much higher, albeit a bit more in the shorter end of the yield curve. Thus, we see a rise of 40.8 bps to 128.6 bps from the 3-month to the 1-year benchmarks (PDST-R2). For the benchmark 10-year T-bonds, the yield climbed by only 20.3 bps. The fall in the 3-year and 7-year benchmarks constitute aberrations due to difference in their computations. All told, the end-April yield curve looks more realistic.

The alternative yield curve using liquid issues moved up nearly as much as the PDST-R2 benchmark yield curve. Thus, it remained much below the benchmarks. The 20-year PDST-R2 benchmark yield tallied at 7.2179% or 99.6 bps higher than FXTN 20-17's yield of 6.2217%. A similar large difference could also be seen in the 5-year space.

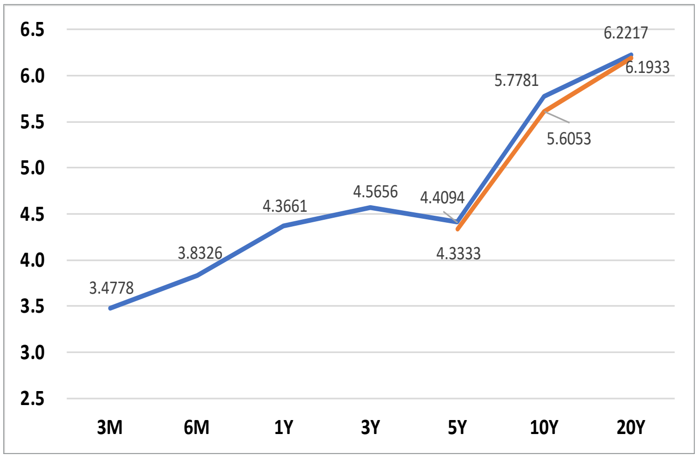
PDST-R2 Yields (end-March and April 2018)

PDST-R2	Mar-18	Apr-18	M-o-M change (bps)
3M	3.070	3.478	40.8
6M	3.210	3.833	62.3
1Y	3.080	4.366	128.6
3Y	4.610	4.566	-4.4
5Y	5.240	5.399	15.9
7Y	6.737	5.800	-93.7
10Y	6.000	6.203	20.3
20Y	7.160	7.218	5.8

Source: Philippine Dealing Systems (PDS)

Here the PDST-R2 provided a 5.3987% yield compared to 4.4094% for FXTN 5-73 showing a differential of 98.9 bps. The smallest divergence occurred in the 10-year tenor. PDST-R2 came in at 6.2033% yield while FXTN 10-60 drew only 5.7781%, a gap of 42.5 bps.

Figure 13 - PDST-R2 vs. Liquid FXTN Yields (end-April 2018)



Source: Philippine Dealing Systems (PDS)

Corporate Bonds: New Issues Down to a Trickle, While Secondary Trading Falters

With rising interest rates, new issues and trading in the secondary market of corporate bonds slowed in April.

Two new issuances—one local and one offshore—occurred during the month.

- Ayala Land, Inc. (ALI) listed P10-B worth of bonds on April 27 with a maturity of 10 years and a coupon rate of 5.9203%. This is part of its shelf registration and ALI plans to use this to partly fund its burgeoning capital expenditures.

Trading of corporate bonds in the secondary market sunk by 8.7% in April (m-o-m) to P2.5 B from P2.8 B in March, giving up some of the 22.3% gain it made in March.

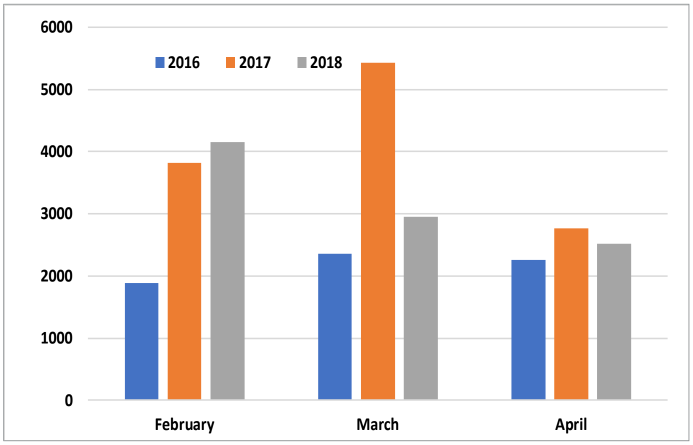
- For offshore fund raising, Philippine National Bank (PNB) issued corporate bonds amounting to $350 M with a maturity of 5 years and a coupon rate of 4.25%. It will partly finance the expansion of its loan portfolio.

- The International Finance Corporation (IFC), the investment banking arm of the World Bank, plans to raise P4.7 B in the local market. It aims at having a 14.8 year tenor for the planned issue.

Secondary Market Trading Eases by 8.7% in April

Trading of corporate bonds in the secondary market sunk by 8.7% in April (month-on-month, m-o-m) to P2.5 B from P2.8 B in March, giving up some of the 22.3% gain it made in March. Year-on-year (y-o-y), trading fell even more, or by 14.5%. As the y-o-y drop tallied less than the 49.1% plunge in March, YTD total trading tumbled by 30.8% in April, or less than the 35% fall by March.

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



Source: Philippine Dealing Systems (PDS)

Trading in the top five corporate issuers' papers also saw a slippage, but a much slower rate. Concretely, the top five's trading volume eased by 1.5% (m-o-m) to P1.3 B compared to a 14.8% increase in March. We replaced Globe by SM Prime Holdings, Inc. (SMPH) since the latter had higher volumes in the past three months.

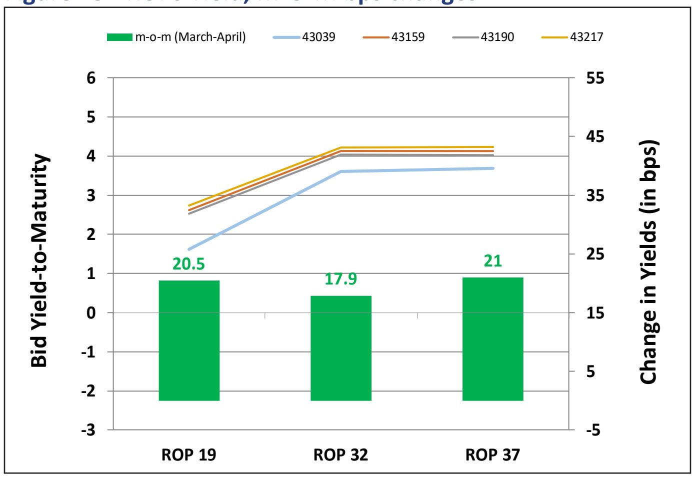
Ayala Land, Inc. (ALI) retained the top spot as P495.5 M changed hands in April, another 12.1% jump on top of the 42.5% surge in March. San Miguel Brewery (SMB), likewise, secured the second place with a total turnover of P295.6 M, a 12.9% (m-o-m) climb for April. It added on this gain after soaring by 92.4% in March. Despite a m-o-m fall of 30.7%, SMPH hung on to third spot as its debt papers' turnover still reached P272 M. Ayala Corporation (AC) overtook SM Investments Corporation (SMIC) and came 4th with a trading volume of P156.8 M, up by 42.3% from March. Trading in SMIC debt papers fell by another 25.7% and reached only P95.9 M, following a larger fall of 38.8% in March.

With fears of further increases in bond yields spooking investors, the slowdown in issuances and secondary trading should continue until some clearer signs of slowing domestic inflation and of a normal, slow pace of Fed policy rate increases emerge.

ROPs: Yields Rise Faster than US Treasuries

Yields in liquid Republic of the Philippines (ROPs) dollar-denominated bonds edged higher in tandem with US Treasuries, albeit at a slightly faster pace. Apart from the growing attractiveness of US Treasury yields, ROPs got a bit sidelined by the more attractive Indonesian and Thai dollar-denominated bonds. Reversing the slippage in yields in March, these bloated by 24.7 bps to 19.5 bps (ROP-19 to ROP-37, respectively). ROP-19 yields, thus, reached 2.773%, while for ROP-37 (~20 years to maturity) yields hit 4.217%. ROP-32 (with around 15 years to maturity) saw a milder increase of 16.7 bps to end April at 4.206%.

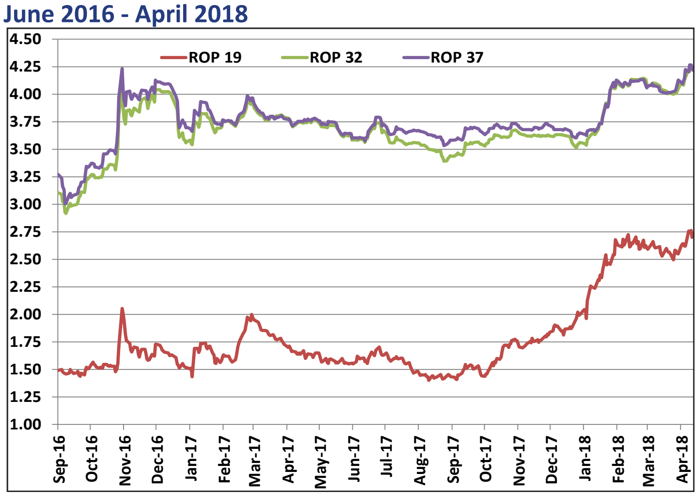
Figure 15 - ROPs Yield, M-O-M bps changes



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

The Chinese economy showed resilience as Q1 GDP bumped up 6.8%, even as inflation slowed to 1.8% in April from 2.1% in March.

Figure 17 - ROPs Average Monthly Yields for Selected Tenors, June 2016 - April 2018



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

US Treasuries yields trended higher as the probability of a fourth rate hike rose given the strong US economic data. As the Fed's policy rate affects short-term papers more, we also saw a bigger 22 bps jump in 3-month US T-bonds compared to only a 16 bp jump in 20-year papers. The flattening yield curve has caused some concern that a recession may be coming by 2020. Thus, the 2-year T-bonds afforded a 2.49% yield while the 20-year T-bond had a 3.01% yield. The bellweather 10-year T-bond yield breached 3.0% on April 25th but retreated to 2.95% by the end of April.

The effect of the faster rise in ROP yields compared to US Treasuries of similar tenors got reflected in the wider spreads between the two debt papers. For the 2-year bonds, the spread (ROPs – US T-bond) rose to 28.3 bps in April from 25.6 bps a month ago, and for the 20-year bonds, the spread widened slightly to 120.7 bps from 117.2 bps for the same periods.

ASEAN+1: Mixed Movements in Yield Curves

US: Second estimate of US GDP growth for Q1 yielded 2.5%, a slight upgrade from earlier 2.3%. This represents a slowdown from 2.9% in Q4-2017, although the severe snowfall in many parts of the country explains much of the easing. Job creation remained robust as April adding 164,000 net new jobs, with an upward adjustment for March. The other positive point emerged from the tepid 2.6% y-o-y growth (and 0.2% m-o-m, seasonally adjusted) in average wages despite the fall in unemployment rate to 3.9%. As a consequence, 10-year T-bond yields retreated to below 3% after breaching it on April 25. The specter of faster Fed policy rate hikes in 2018 somewhat loosened but we still expect a 25 bps increase in June. Some analysts dread a 4th Fed rate hike should the economy expectedly grow much faster starting Q2, but that still hinges on price and wage inflation.

PRC: The Chinese economy showed resilience as Q1 GDP bumped up 6.8%, even as inflation slowed to 1.8% in April from 2.1% in March. Analysts expect robust manufacturing activity as the PMI remained strong at 51.4 in April, slightly down from 51.5 in March. However, in order to boost liquidity, which had tightened in recent months to contain asset inflation, China's central bank cut the reserve requirement by one percentage point to 17% on April 25. It also injected the equivalent of $23.9 B into the banking system by purchasing government securities. While the economy maintained its robustness, some analysts warn that the $7 T household debt may cause a hard landing. People's Bank of China (PBOC) kept its policy rate of 1.5% (deposit rate), in place since October 2015.

Malaysia:The Malaysian ringgit came under pressure in April, due to election uncertainties. In the general election held early May, former Prime Minister Mahathir toppled PM Najib and freed Anwar and this eventually calmed the foreign exchange market. Malaysia's trade surplus increased 3.4% to some $2.3 B in February 2018 from $2.2 B a year ago. This, however, came in slightly below market consensus of an 8.3% growth. This emerged as exports slipped by 2% (y-o-y) to $18 B, marking the first decline in exports since October 2016, due to the fall in palm oil and palm oil-based products exports. GDP expanded by 5.4% in Q1, slower than 5.9% in Q4-2017, while inflation steadied 1.3% in March from 1.4% in February. Mildly higher prices of Food, Housing-related, and Health drove the inflation in March. Corporate bond issues In Q1 climbed by 7.3% to ~$7.6B from $7.1 B. With the prevailing low inflation, the central bank maintained its policy rate of 3.25%.

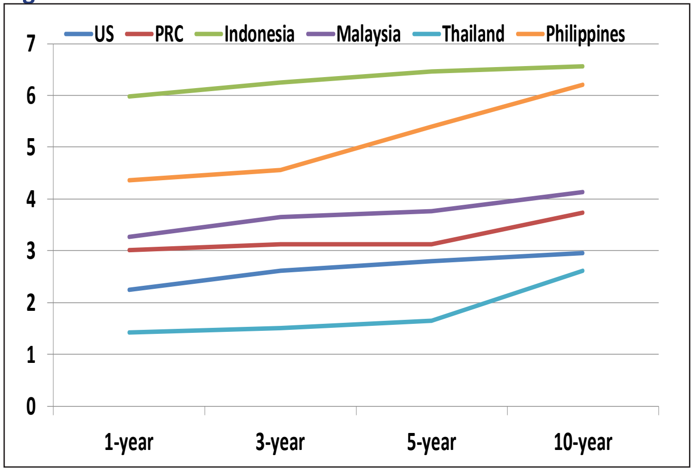
Despite Bank of Indonesia asking SOEs to curb dollar purchases to ease pressure on its currency, the rupiah, the rupiah neared 14,000 to the US dollar by end-April, and exceeded that by early May.

Thailand: Bank of Thailand (BoT) expects Q1 GDP growth of close to 4%, with strong exports and tourism, despite an early April survey in which 45.8% saw a worse Q1 from a quarter ago. Exports surged by 9.9% (y-o-y) as merchandise shipments expanded in most categories, including petrochemicals, automotive, electronics, etc. 10.6 M foreign tourists flocked into the country in Q1 up 15.4% y-o-y. This pushed foreign exchange reserves to $215.4 B as of April 27. Thailand posted a huge current account surplus at $17.1 B in Q1 or around 16.2% of GDP.

Meanwhile, Alibaba has decided to invest in a Smart Digital Hub in the Eastern Economic Corridor (EEC) area. The government aims this Hub to be a key platform to link Thai SME and OTOP (One Tambon One Product) products and agricultural products to, not only China but also the global markets. The government awarded a high-profile PPP project valued at $7.2 B in the EEC for a high-speed rail linking Don Mueang airport in Bangkok with Suvarnabhumi airport in Samut Prakan province and U-Tapao airport in Rayong province. Bank of Thailand policy rate remained at 1.5%, a 3-year level, to support growth while inflation is expected to return to the target range of 1-4 % in Q2.

Indonesia: Indonesian economy expanded by 5.1% in Q1-2018, slightly below the government's target of 5.2%. Thus, despite Bank of Indonesia (BI) asking SOEs to curb dollar purchases to ease pressure on its currency, the rupiah neared 14,000 to the US dollar by end-April, and exceeded that by early May. Nonetheless, FDIs moved up 12.1% to $7.8 B in Q1. A trade surplus in March of $1.1 B, avoided a Q1 trade deficit but rather made possble a trade surplus of $280 M, albeit notably lower than $4.1 B in Q1-2017. Inflation to a 13-month high of 4.2% in April from 3.6% in March, as crude oil price raced higher. BI, however, decided to keep its policy rate kept at 4.25%, the level since September 2017.

Figure 17 - ASEAN + 1 Market Bonds Yield Curve



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

Outlook

The May 10th policy rate hike by the BSP helped ease uncertainties in the bond market and paves the way for more trading.

- BSP's revised projections of 3.4% in 2019 (from 4.6% this year) confirm our expectations of a significant easing of inflation starting the later part of 2018 and should provide a cap for long-term GS bond yields, in which recent upticks got overdone.

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

Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-year yield	10 year to 2-year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					30-Oct-17	30-Nov-17			
US	2.483	2.953	2.1	0.681	47	47	0	1.50	-0.60
PRC	3.150	3.740	1.6	2.250	37	59	22	4.35	2.75
Indonesia	5.581	6.555	3.8	2.755	117	68	-49	4.25	0.45
Malaysia	3.559	4.139	3.9	0.056	61	58	-3	3.25	-0.65
Thailand	1.306	2.440	0.7	1.683	107	92	-15	1.50	0.80
Philippines	4.253	6.203	4.5	1.703	184	195	11	3.25	-1.25

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

The willingness of BTr to accept higher yielding bids in the long-end space as it conducts more regular issuances should also be a plus factor for local bond investors.

- The willingness of BTr to accept higher yielding bids in the long-end space as it conducts more regular issuances should also be a plus factor for local bond investors.

- External factors, however, will contribute to domestic yield movements, but the plus factors—US inflation and wage increases remain mild, and the North Korea-US Summit in Singapore could provide positive surprises—so far balance out the negative factor arising from heightened tensions in the Middle East with the US backing out of the Iran nuclear deal.

- Corporate bond issuances could rebound in H2, but that should depend on how far lower benchmark bond yields go from April levels.

- With PH trade deficit stabilizing at some $3 to $3.2 B per month, the spread between ROPs and US Treasuries may have little upside. However, ROPs should then follow US T-bond movements more closely for the rest of Q2.

GEOPOLITICAL TENSIONS EASE, SOFTER US GROWTH FUEL GLOBAL EQUITIES' REBOUND

Most stock markets around the globe recovered from the March meltdown as trade tensions between the US and China eased, the North Korean face-off appeared to give in to agreed negotiations, and the US delivered a missile-carried message in Syria, while the prospects of a fourth Fed policy rate hike in 2018 softened with weaker Q1 GDP growth in the US, and wage inflation appearing tame. The Dow Jones Industrial Average (DJIA) kept mostly above 24,000 and even ended 0.2% up by the end of April, even as Europe and Japan investors raised their equity stakes. This failed to ignite the local bourse as the PSEi hit a year low of 7,557.91 on April 25 and ending April 2% lower than a month ago, as foreign investors continued their sell-off, albeit at a slower pace.

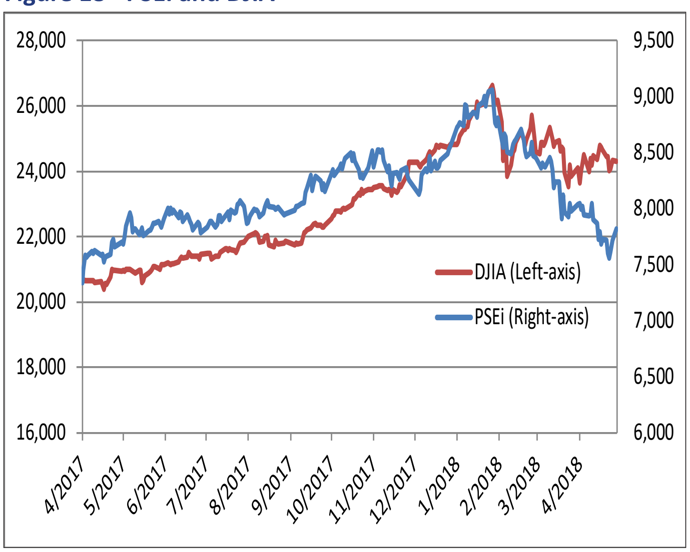
Outlook: While there may still be some downside for the PSEi as local investors may be fully invested in the wake of foreign investors' exit, it should be limited and may be short-lived. However, In the absence of positive drivers, except for strong Q1 GDP growth, the headwinds would prevent a quick recovery, given slightly accelerating inflation rate, mildly depreciating peso, and larger fiscal deficits (aligned to the government's Build-build-build thrust). Domestic bond yields appear to have priced in a worst-case scenario as their rise has also inhibited more equity investors.

Global Equities Markets Performances

Region	Country	Index	Growth Rate Mar 2018 (m-o-m)	2018 YTD
Americas	US	DJIA	0.2%	-2.7%
Europe	Germany	DAX	4.3%	-2.0%
	London	FTSE 101	6.4%	-1.8%
East Asia	Hong Kong	HSI	2.4%	1.0%
	Shanghai	SSEC	-2.7%	-7.9%
	Japan	NIKKEI	4.7%	-4.4%
	South Korea	KOSPI	2.8%	1.4%
Asia-Pacific	Australia	S&P/ASX 200	3.9%	-1.3%
Southeast Asia	Indonesia	JCI	-3.1%	-5.4%
	Malaysia	KLSE	0.4%	4.9%
	Thailand	SET	0.2%	0.1%
	Philippines	PSEi	-2.0%	-10.4%
	Singapore	STRAITS	5.4%	5.4%

Sources: Bloomberg & Yahoo Finance

Figure 18 - PSEi and DJIA



Source: Bloomberg

Most global markets recovered from the bloodbath in March, as substantial gains from tech stocks, big M&A deals, as well as easing political tensions charm investors. Confidence on technology firms such as Facebook and Amazon recovered in April as Facebook's data privacy controversy didn't seem to have affected the social media platform's first quarter performance. On the other hand, news about US telecommunications firm T-Mobile's proposed merger with Sprint, as well as a reported merger between British supermarket chain Sainsbury of Asda, likewise bolstered investor confidence (evident with FTSE 100, which grew by 6.4% last month). Meanwhile, most Asian bourses also enjoyed gains as talks between South Korean President Moon Jae-in and North Korean leader Kim Jong-un towards ceasing of hostilities and denuclearization of the Korean Peninsula commence. London's FTSE was the top performer for the month among western markets while Singapore's STRAITS and Tokyo's NIKKEI led Asian counters. On the other hand, some Asian markets such as JCI, SSEC and PSEi didn't join the global trend towards recovery as these three had recorded declining indexes.

From a correlation of a high +0.8 in March, DJIA and PSEi's correlation reversed to a -0.4 level, as foreign investors continued to exit while local investors preferred to wait-and-see where the bottom of the PSEi may be found.

Philippine investors did not seem to share the same optimism felt by investors in other markets as PSEi took a different path in April – downwards. From a correlation of a high +0.8 in March, DJIA and PSEi's correlation reversed to a -0.4 level, as foreign investors continued to exit while local investors preferred to wait-and-see where the bottom of the PSEi may be found. Concerns over peso depreciation (vs. other currencies), high inflation, and a growing fiscal deficit, cast dark clouds over the positive investment sentiment early this year.

Earnings Summary Q1-2018				
	Core Net Income (in M)			Consensus
Company	Q1-2017	Q1-2018	%Y-o-Y	Results
Financial				
BDO	5,831	5,877	1%	Below
MBT	5,562	5,856	5%	In line
BPI	6,253	6,250	0%	In line
SECB	2,776	2,350	-15%	In line
Industrial				
MER	4,598	4,917	7%	-
AP	4,373	5,167	18%	In line
FGEN	2,064	2,042	-1%	In line
JFC	1,533	1,799	17%	In line
URC	3,371	2,952	-12%	Below
Holdings				
AEV	4,673	5,250	12%	In line
GTCAP	3,220	3,750	18%	In line
MPI	3,007	3,818	27%	In line
SM	7,694	8,500	10%	In line
Property				
ALI	5,564	6,517	17%	In line
MEG	2,835	3,160	11%	In line
RLC	1,380	1,543	12%	In line
SMPH	6,595	7,597	15%	In line
Services				
GLO	3,771	4,685	24%	Ahead
ICT	2,595	2,268	-13%	In line
TEL	5,329	6,003	13%	In line

Sources of Basic Data: First Metro Securities Brokerage Corporation (FMSBC), First Metro Investment Corporation (FMIC)

In terms of earnings for the first quarter, most of PSEi's constituent stocks were in line with consensus estimates. Double-digit growth rates relative to Q12017 were most apparent in Holdings and Property sectors. Despite the push of the administration to introduce a third player in the telco industry, GLO saw their net income skyrocket to 24%, above consensus estimates. On the other hand, URC's net income fell by 12% compared to the previous year, attributed to a weak peso, high inflation and growing competition in the industry.

Meanwhile, BDO also saw its bottom line growing by a mere 1%, which the firm attributed to the revaluation of its investment portfolio due to the shift in financial standards.

Monthly Sectoral Performance				
	28-Mar-18		30-Apr-18	
Sector	Index	% Change	Index	% Change
PSEi	7,979.83	-5.8%	7,819.25	-2.0%
Financial	2,089.67	-6.1%	1,969.63	-5.7%
Industrial	11,429.65	-0.1%	11,110.36	-2.8%
Holdings	7,839.09	-8.7%	7,908.50	0.9%
Property	3,646.85	-2.0%	3,622.17	-0.7%
Services	1,671.82	-4.2%	1,559.17	-6.7%
Mining and Oil	10,886.93	-11.2%	10,561.56	-3.0%

Source of Basic Data: PSE Quotation Reports

PSEi continued to trend downward in April, incurring a 2% decline, albeit a deceleration from the previous month's 5.8% drop. However, the local bourse plunged to a one-year low during the month, hitting the 7,557.91 level on April 25. All sectors except Holdings (which recorded a slight uptick of 0.9%) ended in the red, though most slowed down their descent compared to last month. Services and Financial sectors plummeted during the month, losing 6.7% and 5.7% of their values, respectively. Mining and Oil (which plunged the most last month among sectors) and Industrial sectors also took heavy beatings with 3% and 2.8% drops, respectively. Meanwhile, the Property sector ended the month losing 0.7%.

Company	Symbol	03/28/18 Close	04/30/18 Close	% Change
Metrobank	MBT	85.80	85.00	-0.9%
Banco de Oro	BDO	139.00	131.70	-5.3%
Bank of the Philippine Islands	BPI	117.00	105.00	-10.3%
Security Bank Corporation	SECB	240.00	209.00	-12.9%

Source of Basic Data: PSE Quotation Reports

The Financial sector sustained its streak of losses in April with a 5.7% drop, following on its 6.1% decline a month earlier. Security Bank Corporation (SECB) incurred the biggest loss in the sector with a 12.9% slump, despite posting record-high net income of P10.3 B in 2017, an increase of 20% year-on-year (y-o-y).

Meanwhile, Bank of the Philippine Islands (BPI) joined SECB's sizeable dip, losing 10.3% of its value last month. BPI shares suffered from marked volatility during the month.

The Holdings sector recovered in April, ending in the green with a slight increase of 0.9% from a big 8.7% drop in March.

Its share price got weighed down by the bank's P50 B stock rights offer (SRO) embarked in the middle of the month, with the stock priced at P89.50 per share, a substantial 21.6% discount on the stock's 15-day average volume price.

BDO Unibank, Inc. (BDO) shed another 5.3% of its value in April as the company increased the offering of its long-term negotiable certificates of deposits (LTNCDs) to P8.2 B from P5 B, given strong demand from retail and institutional investors. BDO shares had plunged by 10.8% in March and had the worst 2-month performance.

On the other hand, Metropolitan Bank and Trust Company (MBT) performed best, as it slipped by only 0.9% after recently finishing its SRO of P60 B to fund the acquisition of remaining stake in Metrobank Card Corporation (MCC) as well as the expansion of its lending activities. The company also plans to raise another P25 B via LTNCDs to diversify its funding sources.

Company	Symbol	03/28/18 Close	04/30/18 Close	% Change
Meralco	MER	318.00	322.00	1.3%
Aboitiz Power	AP	38.70	38.00	-1.8%
Jollibee Foods Corporation	JFC	299.00	285.00	-4.7%
First Gen Corporation	FGEN	17.00	15.58	-8.4%
Universal Robina Corporation	URC	152.00	140.50	-7.6%
Petron Corporation	PCOR	9.25	9.29	0.4%

Source of Basic Data: PSE Quotation Reports

The Industrial sector decline accelerated to 2.8% in April from a mere 0.1% dip in the previous month. From recording a double-digit growth last month, First Gen Corporation (FGEN) incurred the largest loss in the Industrial sector, diving by 8.4%. This may be due to FGEN's reported flat USD earnings for 2017 and continuing technical problems in some of its subsidiaries.

Similarly, Universal Robina Corporation (URC) suffered a huge 7.6% fall in April, wiping out the 2% gain in March. URC reported a net income of P3 B, down by 12% from P3.4 B last year.

Jollibee Foods Corporation (JFC) also shed value in April with a 4.7% decline. This occurred despite the company's expectation of strong Q1 earnings and its raising capital expenditures (capex) budget to P12 B, or 33.3% higher than the actual capex in 2017.

Aboitiz Power Corporation (AP) also ended in the red last month with a 1.8% drop in share price despite the company's launch of its rooftop solar venture through its subsidiary Aboitiz Power Distributed Energy, Inc. This venture complements AP's existing businesses such as Cleanergy, which focuses on building renewable energy sources throughout the country.

Meanwhile, Petron Corporation (PCOR) gained a 0.4% growth as the company announced plans to put up as many as 200 service stations this year, 33% higher than the 150 stations it put up in 2017. PCOR emerged as the only firm in the sector to record gains since March.

Manila Electric Company (MER) reversed its 5.5% decline last month with a slight 1.3% uptick in April. MER's pending power supply agreements (PSAs) with the Energy Regulatory Commission are mulled to be bidded out through a Swiss challenge.

Company	Symbol	03/28/18 Close	04/30/18 Close	% Change
Ayala Corporation	AC	948.00	966.00	1.9%
Metro Pacific Investments Corporation	MPI	5.24	5.10	-2.7%
SM Investments Corporation	SM	917.00	940.00	2.5%
DMCI Holdings, Inc.	DMC	12.16	11.04	-9.2%
Aboitiz Equity Ventures	AEV	67.50	69.85	3.5%
GT Capital Holdings, Inc.	GTCAP	1,169.00	1,050.00	-10.2%
San Miguel Corporation	SMC	134.00	140.00	4.5%
Alliance Global Group, Inc.	AGI	13.20	13.04	-1.2%
LT Group Inc.	LTG	18.80	20.20	7.4%
JG Summit Holdings, Inc	JGS	948.00	966.00	1.9%

Source of Basic Data: PSE Quotation Reports

The Holdings sector recovered in April, ending in the green with a slight increase of 0.9% from a big 8.7% drop in March. From being last month's worst performer (-18.1%) in the sector, LT Group, Inc. (LTG) recovered some ground with a 7.4% gain as the LTG reported a 15% increase in earnings to P10.8 B in FY 2017.

In terms of two-month performance, SM Investments Corporation (SM) had the best record, as gained 2.5% in April offsetting its 2.4% slide a month ago. SM made public its plans to spend P90 B in capital expenditures in 2018. The

The Property sector continued to slide this month, declining by 0.7%, albeit better than last month's 2% drop.

company plans to expand in logistics, property, e-commerce and other high-growth sectors.

San Miguel Corporation (SMC) also enjoyed from a substantial gain of 4.5% in share price nearly wiping out the 5% fall in March. This came about as a result of the recent approval of SMC's P700 B bid to develop, operate and maintain the proposed Bulacan airport by the National Economic and Development Authority (NEDA).

Aboitiz Equity Ventures (AEV) also experienced an increase in share price by 3.5% as the company announced plans to ramp up capital expenditures to P77 B, more than double what it actually spent in 2017 (P35 B). The company plans to spend P60 B on its power generation subsidiary Aboitiz Power Corporation.

Ayala Corporation (AC) ended the month with an uptick of 1.9%. The company's energy subsidiary AC Energy Holdings announced that it would be spending $2 B as additional equity investments for planned expansions in domestic and international markets to scale up its portfolio to 5,000 MW.

JG Summit Holdings, Inc. (JGS) also grew by 1.9% in April as the company reported huge 169% boost in consolidated net income to P23.3 B in FY 2017.

On the other hand, Alliance Global Group, Inc. (AGI) suffered a 1.2% dip last month after reporting net income of P14.9 B in FY 2017, only a slight increase from the previous year's P14.8 B.

Metro Pacific Investments Corporation (MPI) also lost 2.7% of its stock price this month, despite announcing the company's plan to acquire minority stake in the logistics company Air21. The company also disclosed that both parties are in talks about further increasing ownership in the future, as acquiring the majority stake will complement significantly MPI's current logistics business.

DMCI Holdings, Inc. (DMC) continued to bleed with a 9.2% drop on top of a 12.6% fall in March. This occurred despite the company's 16% growth in net income to P14.8 B in FY 2017 from P12.7 B a year ago.

GT Capital (GTCAP), likewise, had a weak month, in line with the broad market weakness. Notably, GTCAP posted the highest Q1-2018 core earnings growth among conglomerates of 18% y-o-y to P3.8 B.

Company	Symbol	03/28/18 Close	04/30/18 Close	% Change
Ayala Land, Inc.	ALI	41.10	40.80	-0.7%
SM Prime Holdings, Inc.	SMPH	33.70	34.25	1.6%
Robinsons Land Corporation	RLC	19.94	17.90	-10.2%
Megaworld Corporation	MEG	4.69	4.50	-4.1%

Source of Basic Data: PSE Quotation Reports

The Property sector continued to slide this month, declining by 0.7%, albeit better than last month's 2% drop. Robinsons Land Corporation (RLC) had the biggest decline in the sector this month with a 10.2% dip in share value despite the company's recent expansion with a new commercial complex at Ormoc City. The fall erased RLC's 2.8% gain in March.

Meanwhile, Megaworld Corporation (MEG) also lost 4.1% of its value in April as the company's subsidiary Global-Estate Resorts International's substantial investments in Boracay island may get delayed or even disapproved. Pres. Duterte had ordered a six-month closure of Boracay Island to tourists in order to fix serious environmental damage due to poor sewage.

Ayala Land, Inc.'s (ALI) stock price also slipped last month by 0.7% but traded at a narrow range between P40 and P41, with technical indicators showing it may be moving up again. Its disclosure that it had acquired a 3.7 hectare property in Klang Valley, Kuala Lumpur through its Malaysian subsidiary MCT Berhad for a mixed-use development seemed to have little effect on the price.

On the other hand, SM Prime Holdings, Inc. (SMPH) had an uptick of 1.6%, but masks the downward trend it had in April. SMPH recently purchased an 11 hectare property in Paranaque City, mainly intended for residential development. Moreover, the company also plans to spend P80 B in capital expenditures this year, 37.3% of the actual capex in 2017. The gain, however, failed to offset fully the 4.5% fall in price in March.

Despite a 2.5% growth recorded in March, turnover in the local bourse reversed once again, plummeting by a whopping 24.2% last month.

Company	Symbol	03/28/18 Close	04/30/18 Close	% Change
Philippine Long Distance Tel. Co.	TEL	1,470.00	1,463.00	-0.5%
Globe Telecom	GLO	1,622.00	1,540.00	-5.1%
Robinsons Retail Holdings, Inc..	RRHI	89.30	91.00	1.9%
Puregold Price Club Inc.	PCGMF	52.45	47.40	-9.6%
International Container Terminal Services Inc.	ICT	100.00	84.60	-15.4%

Source of Basic Data: PSE Quotation Reports

Continuing the trend from the previous month, share prices in the Services sector declined further by 6.7% last month from a 4.2% drop in March. International Container Terminal Services, Inc. (ICTSI) tumbled by 15.4% in April, following a 9.1% fall in March. ICTSI's disclosure that it would be starting its operations of the Motukea International Terminal at Papua New Guinea by the middle of May could not stem the selling tide, and so it bought back shares heavily in latter part of the month.

Puregold Price Club, Inc. (PGOLD) also shed 9.6% of its value this month as the company exited the convenience store business by selling its 70% stake in Japanese retail chain Lawson to its venture partner PG Lawson Inc.

On the other hand, Globe Telecom (GLO) also suffered from a 5.1% decline despite disclosing the company's recent investment in Canadian entertainment platform Wattpad worth $51 M (with Tencent Holdings Ltd. and other international partners). Legislators appeared to facilitate the entry of a 3rd telecom player.

Philippine Long Distance Telephone Company (TEL) also declined by 0.5% this month, as the company announced its divestment of 67.4% of its shares in the Germany-based firm Rocket Internet SE, with funds to be reallocated to TEL's P58 B capital expenditures in 2018.

Meanwhile, Robinsons Retail Holdings, Inc.'s (RRHI) stock price edged up 1.9% partly offsetting the 6% decline in March. RRHI reported core earnings growth of 14.7% to P4.7 B in FY 2017. It could have risen more were it not for the denial to Dairy Farm Group's (DFG) for a right to use of the "Rustan" trademark name for its supermarket chain, which RRHI acquired last month. Rustan claimed that the trademark name had not been included in the transaction between RRHI and DFG.

Company	Symbol	03/28/18 Close	04/30/18 Close	% Change
Semirara Mining and Power Corporation	SCC	30.30	30.85	1.8%

Source of Basic Data: PSE Quotation Reports

The Mining and Oil sector continued to decline in April, plunging by 3% in addition to the an 11.2% plunge in March. After a double-digit drop in March, Semirara Mining and Power Corporation's (SCC) stock price recovered slightly by 1.8%. SCC in late April could not ascertain the impact of an unsigned Administrative Order of the Department of Environment and Natural Resources (DENR) apparently clamping down on mining operations, even though it appeared aimed more at minerals. Still SCC announced it would be spending P13 B in capital expenditures, 62% higher than the actual outlay spent last year.

Total Turnover

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	18,043.14	-30.6%	902.16	-30.6%
Industrial	30,262.47	11.3%	1513.12	11.3%
Holdings	31,376.04	-34.6%	1568.80	-34.6%
Property	21,213.21	-34.7%	1060.66	-34.7%
Services	25,331.06	-22.0%	1266.55	-22.0%
Mining and Oil	4,466.03	-30.1%	223.30	-30.1%
Total	**130,691.93**	-24.2%	**6534.60**	-24.2%
Foreign Buying	69,702.12	-12.1%	3485.11	-12.1%
Foreign Selling	78,580.75	-20.3%	3929.04	-20.3%
Net Buying (Selling)	(8,878.63)	-54.0%	-443.93	-54.0%

Source of Basic Data: PSE Quotation Reports

Despite a 2.5% growth recorded in March, turnover in the local bourse reversed once again, plummeting by a whopping 24.2% last month. Foreign funds continued to outflow significantly to the tune of P8.9 B, less than the previous month (P19.3 B). Double-digit decreases plastered all over the sectors (except Industrial which grew by 11.3%). Largest falls occurred in Property, Holdings, Financial and Mining and Oil sectors as these four dropped by at least 30%. Compared to these sectors, the 22% dive in Services sector's turnover seemed modest.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2016		2017		4th Quarter 2017			1st Quarter 2018		
	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	710,590	-1.3%	738,491	3.9%	465,878	32.62%	3.9%	397,214	9.1%	-14.7%
Industry Sector	2,738,320	8.0%	2,958,186	7.2%	1,438,448	16.86%	7.2%	1,224,388	10.5%	-14.9%
Service Sector	4,664,261	7.5%	4,971,610	6.7%	2,566,672	6.55%	6.7%	2,296,707	9.5%	-10.5%
Expenditure										
Household Final Consumption	5,628,318	6.9%	5,958,500	5.5%	3,277,763	20.3%	5.5%	2,938,839	9.4%	-10.3%
Government Final Consumption	850,747	8.3%	912,010	6.8%	477,075	-1.6%	6.8%	422,295	16.3%	-11.5%
Capital Formation	2,180,842	20.8%	2,479,583	8.3%	1,100,564	17.7%	8.3%	1,061,358	14.3%	-3.6%
Exports	4,016,105	9.1%	4,875,652	16.1%	1,074,003	-19.9%	16.1%	1,317,881	8.1%	9.3%
Imports	4,631,536	17.5%	5,552,632	15.0%	1,622,007	-6.6%	15.0%	1,813,449	9.7%	11.8%
GDP	8,113,170	6.8%	8,668,287	6.3%	4,470,998	12.0%	6.3%	4,762,692	9.3%	-9.9%
NPI	1,622,040	5.3%	1,721,698	5.3%	814,939	6.2%	5.3%	844,383	3.6%	7.5%
GNI	9,735,210	6.6%	10,389,984	6.1%	5,285,937	11.1%	6.1%	4,762,692	9.3%	-9.9%

Source: National Statistical Coordination Board (NSCB)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2016		2017		Feb-2018			Mar-2018		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R	Levels	Monthly G.R.	Annual G.R
Revenues	2,195,914	4.1%	2,473,132	12.6%	178,535	-25.27%	17.58%	202,360	13.3%	12.3%
Tax	1,980,390	9.1%	2,250,678	13.6%	163,238	-25.04%	17.45%	177,403	8.7%	13.5%
BIR	1,567,214	9.3%	1,772,321	13.1%	116,641	-33.58%	10.18%	130,827	12.2%	11.7%
BoC	396,365	7.8%	458,184	15.6%	43,716	7.07%	41.69%	45,251	3.5%	21.2%
Others	16,811	14.8%	20,173	20%	2,881	118.45%	27.24%	1,325	-54.0%	-27.6%
Non-Tax	215,446	-26.5%	222,415	3.2%	15,297	-27.61%	19.03%	24,957	63.1%	4.3%
Expenditures	2,549,336	14.3%	2,823,769	10.8%	240,269	5.06%	36.86%	313,053	30.3%	29.5%
Allotment to LGUs	449,776	16.1%	530,150	17.9%	59,162	36.61%	45.03%	46,272	-21.8%	13.5%
Interest Payments	304,454	-1.6%	310,541	2%	36,162	-16.90%	49.24%	27,549	-23.8%	-11.9%
Overall Surplus (or Deficit)	(353,422)	-190.4%	(350,637)	-0.8%	-61,734	-705.77%	160.22%	-110,693	79.3%	80.1%

Source: Bureau of the Treasury (BTr)

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

	2017		Feb-2017			Mar-2018		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	41,605	5.1%	3,441.90	10.3%	5.9%	3,356.00	12.0%	3.2%
Residential	13,055	5%	988.50	10.8%	-0.6%	1,014.50	15.0%	2.0%
Commercial	16,378	4.7%	1,361.20	8.1%	4.7%	1,318.60	10.9%	1.5%
Industrial	11,861	4.4%	1,038.20	8.3%	14.7%	979.30	7.3%	8.2%

Source: Meralco

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

	2016		2017		3rd Quarter 2017		4th Quarter 2017	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT	(1,199)	-116.5%	(2,518)	110.0%	1,850	-976.6%	(3,297)	-278.2%
Balance of Trade	(1,199)	-116.5%	(2,518)	110.0%	1,850	-976.6%	(3,297)	-278.2%
Balance of Goods	(35,549)	52.5%	(41,191)	15.9%	(8,647)	-11.2%	(13,123)	51.8%
Exports of Goods	42,734	-1.1%	48,199	12.8%	12,875	5.4%	11,337	-11.9%
Import of Goods	78,283	17.7%	89,390	14.2%	21,523	-1.9%	24,461	13.6%
Balance of Services	7,043	29.1%	9,496	34.8%	3,296	50.0%	2,236	-32.2%
Exports of Services	31,204	7.4%	35,605	14.1%	9,797	12.7%	9,163	-6.5%
Import of Services	24,160	2.3%	26,109	8.1%	6,501	0.1%	6,927	6.6%
Current Transfers & Others	-	-	-	-	-	-	-	-
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	62	-26.3%	57	-8.7%	18	-0.2%	14	-22.0%
Financial Account	175	-92.4%	(2,208)	-1361.6%	442	-146.7%	(2,033)	-559.9%
Direct Investments	(5,883)	5803.4%	(8,110)	37.9%	(2,117)	13.3%	(2,646)	25.0%
Portfolio Investments	1,480	-72.9%	3,889	162.7%	875	-776.5%	(114)	-113.0%
Financial Derivatives	(32)	-673.4%	(51)	57.4%	45	-892.2%	41	-9.9%
Other Investments	4,610	-249.8%	2,064	-55.2%	1,638	54.9%	686	-58.1%
III. NET UNCLASSIFIED ITEMS	892	-136.6%	(610)	-168.4%	(2,088)	349.9%	1,754	-184.0%
OVERALL BOP POSITION	(420)	-116.1%	(863)	105.4%	(662)	-329.3%	505	-176.3%
Use of Fund Credits	-	-	-	-	-	-	-	-
Short-Term	-	-	-	-	-	-	-	-
Memo Items								
Change in Commercial Banks	1,421	-222.0%	409	-71.2%	1,387	-1857.1%	(1,006)	-172.5%
Net Foreign Assets	1,381	-229.7%	442	-68.0%	1,363	-9047.3%	(970)	-171.2%
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)

	2018		Feb-2018		Mar-2018	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	2,798,988	14.0%	3,001,797	2.2	3,046,240	1.55
Sources:						
Net Foreign Asset of the BSP	4,024,544	2.3%	4,665,559	0.6%	4,656,161	-0.2%
Net Domestic Asset of the BSP	9,722,563	15.6%	10,524,552	1.3%	10,736,779	2.0%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3,562,223	17.1%	3,581,355	1.1%	3,656,397	2.1%
Money Supply-2	10,227,276	13.1%	10,294,209	1.3%	10,484,059	1.8%
Money Supply-3	10,655,369	13.2%	10,724,163	1.3%	10,918,725	1.8%
MONEY MULTIPLIER (M2/RM)	2.49		3.42		3.44	

Source: Bangko Sentral ng Pilipinas (BSP)

May 2018

CONTRIBUTORS

Rabboni Francis B. Arjonillo	President, FMIC
Dr. Victor A. Abola	Senior Economist, UA&P
Viory Yvonne T. Janeo	Research Associate, UA&P
Jose Miguel D. Alonzo	Research Assistant, UA&P
Christian A. Siaton	Research Assistant, UA&P
Augusto M. Cosio, Jr.	President, FAMI