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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

The Philippine economy expanded by 6.2% in 2018, marking the 7th consecutive year of above-6% growth, albeit slower than the 6.7% pace in 2017. Higher inflation due to a sharp rise in crude oil prices in the first 10 months of the year and delayed imports of rice put brakes on consumer spending. The best news is that inflation is rapidly falling, to 4.4% in January, as oil prices remained some 30% below its 2018 peak. Other positive reports include OFW remittances still on the rise, and the peso stabilizing. Investors in the capital market had plenty of cheers with the onset of 2019, as bond yields fell while the PSEi rose by 7.3% in January, 3rd fastest in East Asia + Asean regions.

Macroeconomy

Economic expansion in 2018 eased to 6.2% from 6.7% in 2017, with lackluster gains in Q3-Q4, due to weak consumer spending. While investment expenditures slowed in Q4, it still drove growth as it rose by 13.9% in full year 2018. The acceleration of inflation to 5.2% in 2018 from 2.9% a year ago, dragged consumer spending to a 4-year low. But the sharp fall in inflation starting November 2018 to 4.4% in January provided relief even as OFW remittances kept rising in November. With lower oil bill and US dollar's ambivalence, the peso piled up gains in January.

- Inflation continued its downtrend in January, decelerating to 4.4% from 5.1% in December 2018.
- Capital goods imports slowdown to record a single-digit growth amidst huge decline in big-ticket items.
- Money growth's single-digit pace remained intact as it went slightly up by 9.2% in December.
- OFW personal remittances still gained by 2.4% y-o-y in November on top of the 8% a month ago.
- The peso began 2019 well, showing added strength following the preceding month's rally.

Outlook: Investment-led spending, driven by heightened infrastructure work, major Public-Private Partnership (PPP) projects in full swing, plus renewed consumer spending should propel PH growth faster to 6.8%-7.2% FY 2019. We expect consumer demand to pick-up, bolstered by further fall in headline inflation (to 3.1% per BSP) and election-related spending, which in turn will generate more employment should further boost domestic demand.

Bonds Market

Philippine bond markets kicked off with a good start as the year 2019 ushered in strong demand from the investors in short-term Treasury bills (T-bills) and longer-dated Treasury bonds (T-bonds) auctions. Risk-on appetite thrust secondary market trading volume to a 4-year high resulting in a downward shift in the yield curve. Spreads between the ROPs and US debt papers narrowed as foreign investors saw the sharp deceleration in PH inflation in a positive light.

- TOR for T-bills increased to 2.61x from 2.10x in December, while for T-bonds it eased up 2.59x from 2.64x a month ago.
- 10-year and 20-year T-bonds auctions showed increased in appetite with TORs of 2.65x and 2.55x.
- Trading volume in GS secondary market hit a 4-year high at P415-B in January, up 84.6% (m-o-m).
- The yield curve shifted down especially for 10-year and 20-year T-bonds, with yields plunging by 69.5 bps and 60.5 bps, respectively.
- ROPs yield curve fell across the board and outperformed the equivalent US treasuries.

Outlook: Despite strong job gains, the US labor market remains loose as wage growth eased in January and with Fed pausing its policy rate hikes, US long-term yields will remain relatively low and in a trading range. Local bonds should decline as domestic inflation eases further and the liquidity need of banks is addressed by Bangko Sentral ng Pilipinas (BSP) and additional domestic savings. Corporate bond issuances should rise in H2-2019 when inflation has settled below-3% (y-o-y). ROPs should track US Treasuries' yields.

Equities Market

Equities greeted the New Year with a vigorous start that could signify the extension of a bull market with global bourses landing on the green and PSEi soaring by 7.3% (m-o-m) as investors view positively the ongoing trade talks between US and China, the US Fed taking a dovish stance on policy rates, and the lower crude oil prices.

- PSEi posted growths of 7.3%, a major upsurge on top of 1.3% recovery in December.
- Top sectoral performers included: Services, Holdings, and Property sectors with their gains of 9.7%, 8.5%, and 8.1%, respectively
- AP, URC, and JGS grew the strongest among PSEi's constituent stocks, with double-digit gains of 16.8%, 16.6%, and 16.1%, respectively.
- LTG, MER, and BPI had the biggest falls, declining by 6.6%, 3.7%, and 3.2%, respectively.
- The P18.7-B net inflow from foreign investors reversed the P700-M outflow in December.

Outlook: With the Philippines experiencing a major drop in inflation rate, faster economic growth, lower long-term interest rates, large PPP projects commenced, positive corporate earnings, and an expected inflow of investments into selected emerging markets, we project the PSEi to reach 8,400-8,800 sometime within the year.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2019)	2017 (year-end)	2018 (year-end)	2019 Forecast
GDP Growth (Q4 2018)	6.1%	6.0%	-	6.7%	6.2%	6.8-7.2%
Inflation Rate (January)	4.4%	5.1%	4.4%	2.9%	5.2%	3.0-3.5%
Government Spending (November)	18.5%	35.2%	-	12.6%	25.0%	12.0%
Gross International Reserves ($B) (January)	82.1	79.2	78.4	81.6	79.2	84.0
PHP/USD rate (January)	52.47	52.77	52.66	50.40	52.68	54.00
10-year T-bond yield (end-January YTD bps change)	6.40%	7.05%	6.63%	4.93%	7.05%	6.32-6.82%
PSEi (end-January YTD % change)	8,008	7,466	-8.6%	8,558	7,466	8,400-8,800

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

2018 GDP GROWTH SLOWS TO 6.2%, BUT NOW 7 CONSECUTIVE YEARS ABOVE 6%

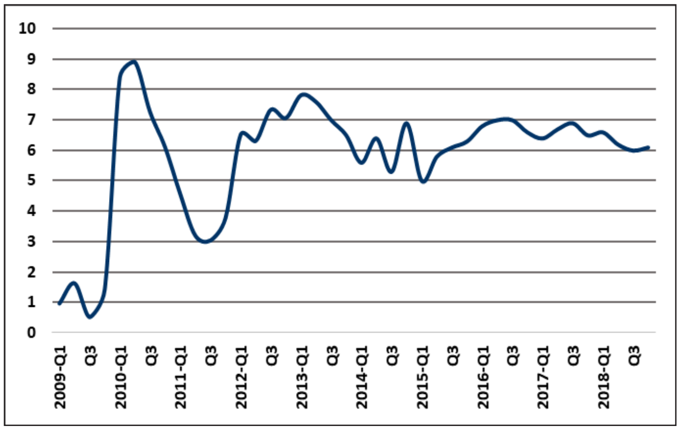
The Philippines Gross Domestic Product (GDP) grew by 6.2% in 2018, its seven consecutive year of above-6% growth, but slowed from 6.7% in 2017, as significantly higher inflation punctured holes in consumers' pockets. But the best news with the onset of 2019 ironically comes from the steep slide in headline inflation to 4.4% in January from as high as 6.7% in September-October 2018. The industrial sector led Q4-2018 growth with a 6.9% expansion from 6.1% in Q3. Capital goods imports continued to rise but saw a slower pace in November 2018. Exports came up fairly flat, while Overseas Filipino Workers' (OFW) remittances sustained its positive run. Finally, the peso strengthened further in January on top of its small gain in December at the back of US dollar weakness.

Outlook: Our projections that headline inflation will ineluctably fall (year-on-year, y-o-y) to below the Bangko Sentral ng Pilipinas (BSP) target of 2% to 4% would suggest a rebound in consumer spending, boosted further by election-related spending. Infrastructure spending and private construction should prolong their elevated trajectory, even though the risk posed on the former by the re-enacted budget may have a temporary effect in Q1-2019. Exports should turn positive in 2019 relying on US economy's robustness, but domestic demand will remain the key driver of the economy. We believe the downside risks will be overcome and expect GDP to expand by 6.8% to 7.2% in 2018, with the BSP cutting policy rates in H2-2019, as inflation falls below 3% (y-o-y).

PH Economic Expansion Slightly Up

Economic growth in the last quarter of 2018 slightly inched up to 6.1% from 6% (revised) in the preceding quarter, still buoyed by robust domestic demand. Full year (FY) growth averaged at 6.2%, missing the National Government's (NG) 2018 target and slower than the 6.7% expansion recorded in 2017. Nonetheless, PH GDP data stood next to India, Vietnam, and China. Notably, the PH economy has notched seven consecutive years of above-6% GDP growth.

Figure 1 - Philippine Quarterly GDP, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

As previously observed, sturdy domestic demand has largely driven PH economic expansion in the past quarters. In Q4-2018, domestic demand remained relatively upbeat, posting 6% growth on a year-on-year (y-o-y) basis, tracking the double-digit increases in NG spending, but slower than 9.6% in Q3. Government spending grew by 11.9% during the last quarter, albeit a little muted compared to the previous quarter's 14.3% expansion, but still ending the 2018 annual growth rate at 12.8%. Faster disbursements for key infrastructure projects under the Build, Build, Build program and the implementation of tax reform which expanded fiscal space considerably this year, sustained growth in NG spending.

Meanwhile, capital formation posted a 5.5% growth for Q4-2018, slowing down from double-digit increases in the past three quarters due to weaker durable equipment spending and a decline in inventories. Durable equipment slumped to a meager 3.1% gain from 18% in Q3. While machinery specialized for particular industries continued to expand by 13.1%, tepidity showed up particularly in the following subsectors: transport equipment (-0.3% from +25.3% in Q3, reflecting weaker motor vehicle demand), other miscellaneous durable equipment (+2.3% vs -0.3% in Q3), and general industrial machinery and equipment (+4% from +7% in Q3). On the other hand, construction accelerated to a 19.3% growth from 16.4% in the previous quarter, led by private construction which increased by 20.2%. Public construction, likewise, grew by 16.3% solidifying growth in the sector.

Household consumption spending rose by 5.4%, a tad faster than Q3's 5.2% increase but slower compared to the 6.2% growth in the same period in 2017. Food and non-alcoholic beverages, which consisted 42.8% of total household spending, recorded faster growth at 5.3% compared to 3% in Q3, which suggests further future

The alcoholic beverages and tobacco (ABT) index registered the biggest decline as prices of commodities included in this category recorded slower increments.

gains as inflation recedes. The other sub-components continued to contribute to growth, such as education (+18.7%), miscellaneous goods and services (+7.6%), housing, water, electricity, gas and other fuels (+5.9%) and drove household's spending annual growth rate to 5.6%, a slight slowdown compared to 2017's 5.9%.

On the supply side, the industry sector posted the highest gains, expanding by 6.9% in Q4-2018, faster than Q3's 6.1%, bolstered by acceleration in the construction sector. The sub-sector led the pack (+21.3% vs. +18.2% in Q3) but dragged down by manufacturing's mediocre gain of 3.2%, even a mite slower than 3.3% in the previous quarter. Meanwhile, mining and quarrying (+10%, vs -0.2% in Q3), and electricity, gas and water supply (+6.6%, vs +4.7% in Q3) contributed to Industry's good performance.

The services sector continued to expand in the last quarter, recording a 6.3% increase, but less impressive than Q3's 6.8% jump, led by public administration and defense and compulsory social security (+12.6% vs +17.8% in Q3). Only two sub-sectors moved up faster, i.e., other services (+9.2% vs +7.9% in Q3) and trade and repair of motor vehicles, motorcycles, personal and household goods (+5.9% vs +5.2% in Q3%). The other three sub-sectors' increases took a slower pace, viz: financial intermediation (+6% vs +6.9% in Q3); transportation, storage and communication (+2.7% vs +5.4% in Q3) and real estate, renting and business activities (+4.4% vs +5.5% in Q3).

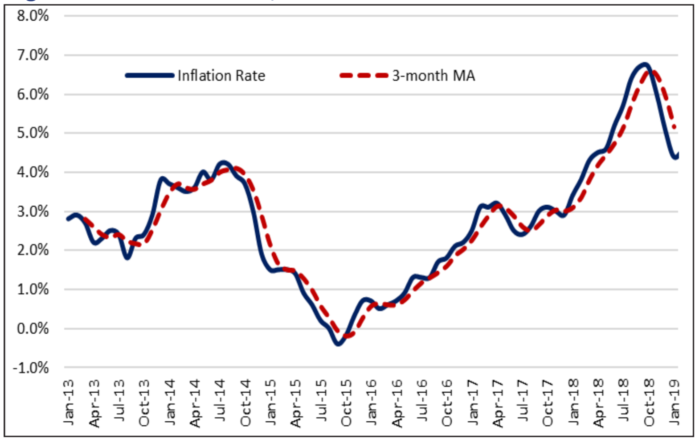
Lastly, the agriculture sector lagged behind the two sectors, posting only a 1.7% increase, an improvement from -0.2% in Q3, but slower than Q4-2017's 2.4% uptick. The agriculture sub-sector, which consists 82.2% of the entire sector, at least inched up by 1.6%, better than 0% in Q3. Meanwhile, fishing sub-sector recovered with a 1.9% increase compared to -1% in Q3.

We think that economic expansion in 2019 will rebound anchored on softer price upticks which will boost consumer demand, coupled with strong public and private investments. Election-related spending will, likewise, provide an added push for a growth acceleration. The re-enacted budget has put a risk on infrastructure spending at least in Q1, but we think this will be resolved, and still expect GDP growth of 6.8% to 7.2% in 2019.

Inflation Further Slowdown to 4.4% in January

Headline inflation continued its downtrend in January, further easing to 4.4% from 5.1% in the preceding month to record a 10-month low. Significant y-o-y declines across major commodities (i.e., alcoholic beverages and transportation) largely triggered the anticipated price deceleration. Most regions outside the National Capital Region (i.e., Bicol, MIMAROPA and ARMM) recorded faster price gains than the national average.

Figure 2 - Inflation Rates, Year-on-Year



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

The alcoholic beverages and tobacco (ABT) index registered the biggest decline as prices of commodities included in this category recorded slower increments. The heavily-weighted food and non-alcoholic beverages index (FNAB), likewise, cooled down by 1.1 percentage points as supply normalized for key food items (i.e., rice, vegetables, cereals, wheat and bread) which spilled over to the restaurants, miscellaneous goods and services, as well. The past price rollbacks in jeepney fares due to softer international crude oil prices resulted in a 1.5 percentage points decline in the transportation index from the preceding month.

Lower electricity charges in January resulted in the downtrend of the housing, water, electricity, gas and other fuels (HWEGOF) as Meralco rates declined to P9.84/kWh from P10.18/kWh in December amidst lower power costs from Power Supply Agreements (PSAs) and Wholesale Electricity Spot Market (WESM) charges, which resulted in reduced generation costs.

Commercial bank loans outstanding which comprised 88.8% of banks' loan portfolio, meanwhile, expanded at a much slower pace to 15.8% from 17.2% y-o-y in November.

Meanwhile, the other indices maintained the past month's rate (save for furnishing, household equipment and routine maintenance of the house index which registered price upticks).

Seasonally-adjusted annualized rate (SAAR) moved to slightly positive territory to +1.2% in January from -4.7% in December. We maintain our view that price upticks will continue to decelerate, faster than expected, to below 4% in Q1 and below 3% by Q3. We also think that for the full-year 2019, inflation will range around 3% to 3.5% due to softer prices in crude oil, rice and transportation, among others.

Inflation Year-on-Year Growth Rates	Jan 2019	Dec 2018	YTD
All items	4.4%	5.1%	4.4%
Food and Non-Alcoholic Beverages	5.6%	6.7%	5.6%
Alcoholic Beverages and Tobacco	16.1%	21.7%	16.1%
Clothing and Footwear	2.5%	2.8%	2.5%
Housing, Water, Electricity, Gas, and Other Fuels	4.0%	4.1%	4.0%
Furnishing, Household Equipment and Routine Maintenance of the House	3.9%	3.8%	3.9%
Health	4.3%	4.8%	4.3%
Transport	2.5%	4.0%	2.5%

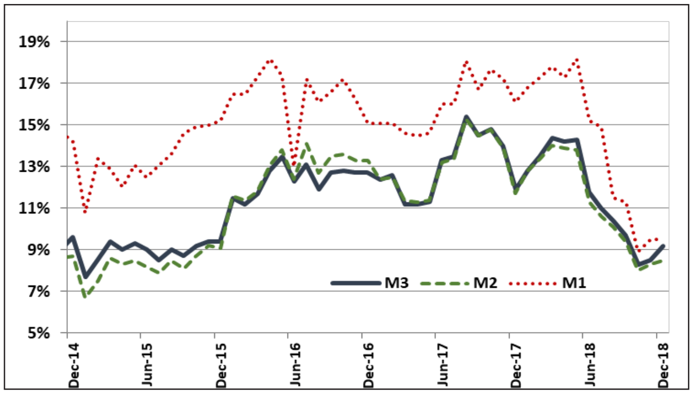
Source of Basic Data: Philippine Statistics Authority (PSA)

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

Monetary Growth Edges Up by 9.2% in December

Domestic liquidity (M3) growth continued to rise faster, albeit at a single-digit pace, showing a 9.2% y-o-y growth (P11.6-T) from the 8.5% (revised) recorded in November. On a SAAR basis, M3 growth actually declined by 2.4%, suggesting relative tightness in liquidity. Broad money (M2) growth, likewise, moved slightly higher to 9.5% while narrow money (M1) maintained the past month's expansion. Note that money growth in the last four months of 2018 moved at a single digit rate, as a result of BSP's policy rate hikes in 2018.

Figure 3 - M1, M2 & M3, Year-on-Year



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

Commercial bank loans outstanding which comprised 88.8% of banks' loan portfolio, meanwhile, expanded at a much slower pace to 15.8% y-o-y from 17.2% in November. Bulk of these loans went to financial and insurance activities, wholesale and retail trade, repair of motor vehicles and motorcycles, manufacturing and real estate, among others. Meanwhile, net foreign assets (NFA) of monetary authorities moved to a positive territory at 2.1%, from the negative 2% in the preceding month.

The past months' slow monetary expansion, coupled with a decelerating inflation, gives us more confidence that BSP will reduce its policy rates in H2, when inflation goes below 3% (y-o-y) to boost further growth in the economy.

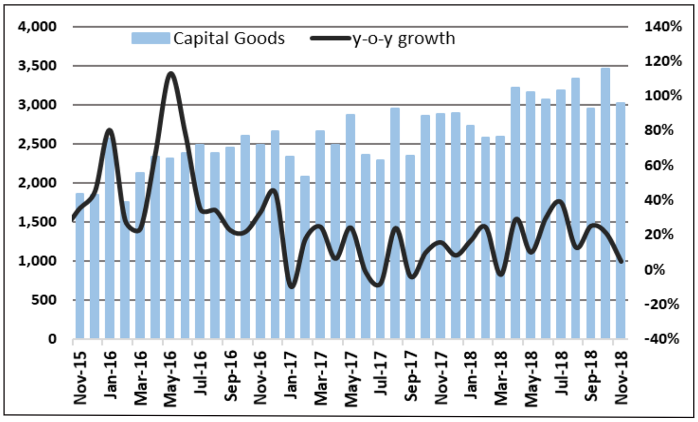
Capital Goods Import Slows to 4.9% in November

The imports of capital goods continued to register positive expansion of 4.9% in November, albeit much slower than the previous months, to record its first single-digit growth in 2018 as imports of big-ticket capital goods recorded a decline. Demand for telecommunication and electrical machinery and land transportation equipment posted negative 1.8% and 15.3%, respectively. Imports of power generating and specialized machines also posted -0.4%. Strong imports of office and EDP machines (+4.9%) and aircraft, ships and boats (+262%) meanwhile, offset the lethargic growth posted in the above-mentioned commodities.

As in the past, raw materials & intermediate goods imports

The positive performance in most categories drove total imports higher by 6.8% y-o-y to reach $9.5 B, outpacing total exports.

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



Source of Basic Data: Philippine Statistics Authority (PSA)

captured the largest share of total imports at 38.6%, registering a 6.7% y-o-y expansion. Unabated demand for unprocessed and semi-processed raw materials (especially the manufactured items such as iron, steel, non-metallic minerals and paper) drove growth in this sector. Mineral fuels, lubricant and related materials category posted a hefty 34.1% due to higher prices of crude oil and petroleum products in the world market. However, lower demand for durable (i.e., passenger cars) resulted in a negative growth in consumer goods imports to record a 3.8% y-o-y decline.

The positive performance in most categories drove total imports higher by 6.8% y-o-y to reach $9.5-B, outpacing total exports. Thus, the country accrued a total of $3.9-B trade deficit in November, from $3.3 B in the same month last year. This brought year-to-date (YTD) trade deficit to $37.7 B, zooming up by 61% from a year ago.

Manufacturing Output Ends the Year in the Red

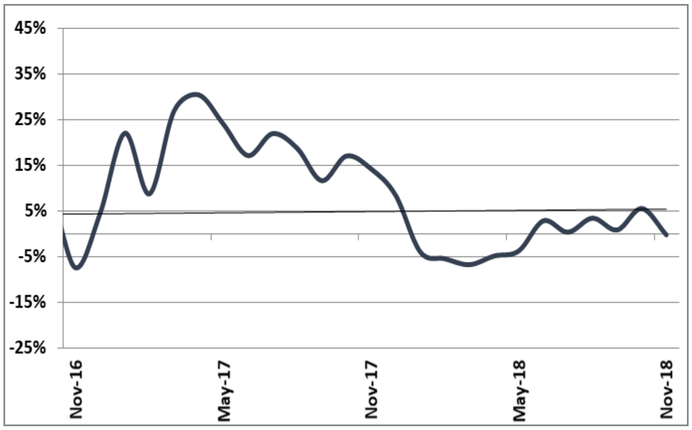
The Volume of Production Index (VoPI) continued to slowdown, ending the year with a negative 10.1% y-o-y growth as production in half of the industry groups (10/20) fell. Six of which showed double-digit decline led by printing (-79.4%) and chemical products (-28.9%). Tobacco products, transport equipment, and electrical machinery, originally in the positive list now join the losers.

Meanwhile, textiles led the expansion with a 49.7% jump, followed by leather products (+35.1%) and wood products (+18.6%). Petroleum products and miscellaneous manufactures joined the outperformers as their outputs climbed by 7.4%, 2.6% and 6.4%, respectively.

Exports Fairly Flat in November

November exports remained relatively flat, as it showed a miniscule decline of 0.3% to $5.6-B after five consecutive months of positive expansion. Thus, YTD exports recorded a 1.1% slump pulled down by six out of 11 months decline in exports demand -- and representing a huge reversal from the 19.3% recorded in the same period last year.

Figure 5 - Exports Growth Rates, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

Electronic products continued to be the top export products accounting for 56.7% of total exports, with earnings falling by 1.6% y-o-y. Semiconductors, which had the biggest share among electronic products (at 38.9% of total exports), also declined by 2.5% y-o-y to $2.4-B. Exports of ignition wiring set and other wiring sets had a worse fall of 14.9% to $151.3-M to capture the 5th slot. The rest of the top five export products increased, led by bananas which posted a hefty expansion of 100.4%. Exports of machinery and transport equipment and other manufactured goods also registered an 80.3% (to $153.6-M) and a 5.7% (to $293.8-M) gain, respectively.

US still took the lion's share, accounting for 16% of the total exports. Outbound shipments to the US, as well as in China and Korea, registered gains of 12.6%, 1.5% and 47.8%, respectively. Exports to Japan (2nd place) and Hong Kong (3rd) remained weak posting declines of 1.3% and 15.2%. Almost half of the total exports in November still headed towards East Asian (EA) nations, valued at $2.8 B. Outward

Personal remittances sent by Filipinos working abroad expanded by 2.4% in November to $2.6 B, but slower than the past month's gain, mainly due to higher base.

sales to the region contracted by 1.7%, tracking weak demand from Japan and Hong Kong. Exports shipments to ASEAN, likewise, showed a 5.7% decline with receipts amounting to $883.3 M.

We think that export growth will lodge in the positive territory, albeit sober in 2019 as the country provides direct and indirect exports to the robust US economy.

Exports - December 2018

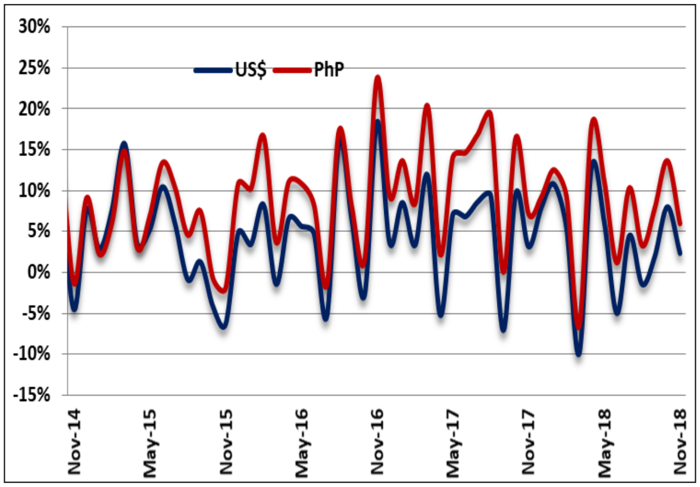
Exports growth further plunged by 12.3% y-o-y in December, with exports receipts amounting to $4.7 B. This resulted in a full year average of -2.1%, a big turnaround from the 18.4% FY growth posted in 2017. Details will be discussed in the next issue.

Personal Remittances Continue to Expand in November

Personal remittances sent by Filipinos working abroad expanded by 2.4% in November to $2.6-B, but slower than the past month's gain, mainly due to higher base. This resulted in a YTD level of $29.1 B, 2.9% higher than in the same period last year.

Inflows coming from sea- and land-based workers with at least one-year contract supported remittances flow (+2.8%), boosted further by the 4% gains of those with less than one-year contract. Cash remittances (i.e., coursed through banks) also increased by 3.1% (or $26.1 B) in January to November amidst strong transfers from the US, Saudi Arabia, UAE and Singapore, among others.

Figure 6 - OFW Remittances Growth, Year-on-Year



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

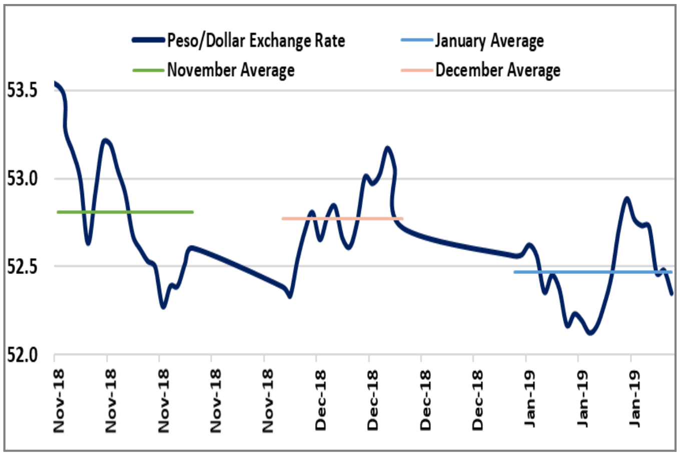
Tracking higher inflows, the peso equivalent for November of personal remittances, likewise, posted a 5.9% increase supported by the 3.5% (y-o-y) peso depreciation. We believe that remittances will continue to chalk up gains in the last month of the year relying on higher inflows as OFWs poured more money into the system for Christmas-related spending.

Peso Begins the Year Stronger than the Greenback

The Philippine peso began 2019 well, showing added strength following the previous month's rally against the greenback. Concern over weaker-than-expected economic data in the US (i.e., GDP and manufacturing) fueled expectations that the Fed will put a "pause" on its policy rate hiking cycle and has stoked investors' sentiment in the equity market. The Federal Open Market Committee (FOMC) report forecast that US economic expansion will decelerate to 2.3% from 3% in 2018 largely due to the negative side-effects of US trade war with China. Meanwhile, the continuous flow of remittances and other dollar receipts provided for a stronger run of the peso as it averaged P52.47/$ in January from P52.77/$ in the previous month, representing a 0.6% appreciation month-on-month (m-o-m). The volatility measure further narrowed to 0.21 from 0.23 in December as the pair hovered between a high of P52.89/$ and a low of P52.13/$.

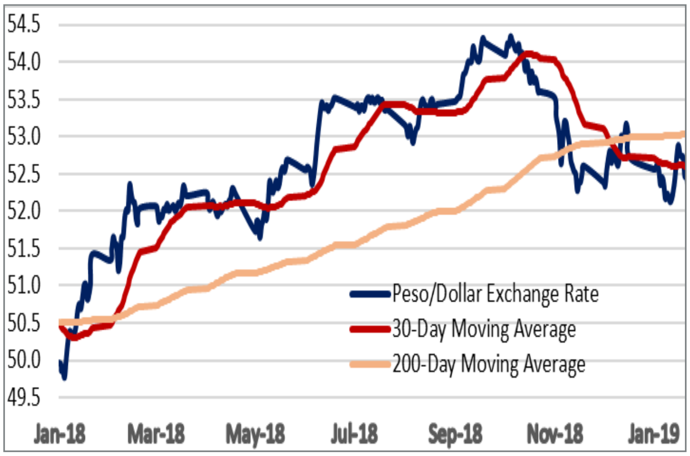
As in the previous month, most emerging currencies firmed up against the US dollar with the Thai baht (THB) taking the lead, supported by Thailand's higher current account surplus, large foreign buying of local equities and benign inflation.

Figure 7 - Monthly Dollar-Peso Exchange Rates



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

Figure 8 - Monthly Dollar-Peso Exchange Rates



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

As in the previous month, most emerging currencies firmed up against the US dollar with the Thai baht (THB) taking the lead, supported by Thailand's higher current account surplus, large foreign buying of local equities and benign inflation. Indonesia's continued increase in foreign exchange reserves since October due to lower crude oil prices and higher capital inflows also supported gains in the rupiah (IDR). India's rupee (INR) remained strong, tracking large decline in international prices of crude oil. The Malaysian ringgit (MYR) also strengthened due to robust current account surplus. Meanwhile, the Chinese yuan (CNY) managed to resist the greenback despite China's on-going trade war with the US.

Exchange Rates vs USD for Selected Asian Countries

	Dec-18	Jan-19	YTD
AUD	1.0%	0.3%	0.3%
CNY	-0.6%	-1.4%	-1.4%
INR	-1.7%	-0.2%	-0.2%
IDR	-1.4%	-2.2%	-2.2%
KRW	-0.3%	-0.3%	-0.3%
MYR	-0.2%	-1.4%	-1.4%
PHP	-0.1%	-0.6%	-0.6%
SGD	-0.3%	-1.0%	-1.0%
THB	-0.7%	-2.7%	-2.7%

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

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

The month-end actual USD/PHP rate in January lodged below the 200-day moving average (MA) but above the 30-day MA (on some days), suggesting stronger peso in the longer term due to a perceived weakness in the US dollar. We, however, maintain our view that the country's huge trade deficits and the need to build GIR reserves should put pressure on the peso in the medium-term.

Outlook

Early economic numbers showed a positive tone, especially with inflation receding fast, but downside risks lurk in the real economy in the horizon.

• Headline inflation's rapid deceleration to 4.4% in January from as high as 6.7% in September-October 2018 emerged as the most encouraging sign of consumer spending recovery in 2019. Election related-spending and OFW remittances (in peso terms) should provide support to this scenario.

• Capital goods imports growth kept on the positive track at 4.9% in November, the first single-digit expansion in 2018. We expect this to go back to double-digit gains in Q1-2019 with major Public-Private Partnership (PPP) projects in progress or being rolled out.

Infrastructure spending should carry on with its high double-digit climb, even though the re-enacted budget may stymie this.

- Infrastructure spending should carry on with its high double-digit climb, even though the re-enacted budget may stymie this. However, we think the latter should be resolved in February by Presidential realignment of budget items or by obtaining an exemption from spending restrictions due to the forthcoming elections.

- Manufacturing showed a slowdown in January as Nikkei's PMI eased to 52.3 from 53.2 in December. The January reading, however, remained above the lows seen in Q1 and Q3 2018. Government data (from MISSI) confirmed this as industrial output declined by 6.1% (y-o-y) in January. However, we expect an upward revision of heavily-weighted food manufacturing and basic metals (supported by construction boom) showed unusually large falls.

- Money growth remained at a single-digit pace, but when seasonal factors are considered, M3 actually fell by 2.4% in December, suggesting tightness in domestic liquidity. This, together with banks' clamor for liquidity to comply with Basel-3 requirements, leads us to think that BSP will reduce reserve requirements by 200 bps in Q1. But it may lower policy rates only after headline inflation goes below 3%, which we think will occur in Q3.

- Exports remained fairly flat in November (-0.3%), as the global economic slowdown has started to bite. Nonetheless, with the US economy still on a roll, we think it will grow, although weakly, in 2019, as PH has a preferential access to the US market.

- The peso should trade within the current range of P52.00-52.60 for the rest of Q1, as BSP rebuilds its GIR, which also infuses the desired liquidity to the banking system. Over the longer horizon, we think the bulging trade deficits will put added pressure on the currency, but it won't weaken as much as it did in 2018.

NG Revenues and Expenditure - December 2018

Please note that the government normally releases December revenues and expenditure near the end of February when it also releases the January accounts.

BOND TRADING HITS 4-YEAR HIGH, PULLS YIELDS DOWN

Local bond markets, which seemed moribund in 2018, have sprang back to robust health as the New Year unfolded with secondary market trading volume at 4-year high and yields, especially at the longer end of the curve, tumbled significantly. Somewhat similar movements also occurred in auctions for government securities (GS). Fears of further increases in US Treasury yields have abated as the Fed confirmed its "pause" mode for policy rate hikes, while domestically, inflation has decelerated to 4.4% in January. Together, these have put more fire in the belly of bond investors and traders.

Outlook: Despite continued solid gains in job creation in the US, wage growth in January actually slowed down and kept long-term yields at a relatively low and narrow trading range. We expect this to continue through Q1, and so attention for local bond investors shall remain on the domestic front developments. We stand by our view that domestic inflation will continue its sharp downward path, while liquidity concerns of banks and the National Government (NG) should be readily covered by additional domestic savings and Bangko Sentral ng Pilipinas (BSP) actions. Corporate bond issuances should accelerate in H2 as long-term yields slip further. ROPs should follow US Treasury movements although spreads may again widen slightly due to the effect of the global economic slowdown on emerging markets.

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
07-Jan	91-day	6	4.3	3	0.72	5.4	
	182-day	6	9.2	6	1.53	6.4	
	364-day	8	15.8	8	1.98	6.6	
	364-day TAP	8	0.3	0	0.04	6.6	
14-Jan	91-day	6	6.0	5	1.00	5.4	
	182-day	6	17.3	6	2.88	6.2	
	364-day	11	43.7	11	3.97	6.2	
21-Jan	91-day	6	3.2	2	0.53	5.4	
	182-day	6	12.0	6	2.00	5.9	
	364-day	8	36.0	8	4.50	6.0	
	364-day TAP	8	30.1	8	3.76	6.0	
29-Jan	91-day	6	5.8	4	0.97	5.5	21.1
	182-day	6	11.7	6	1.95	5.0	-45.2
	364-day	8	19.7	8	2.46	6.0	-63.9
Subtotal		**71**	**185.6**	**65**	**2.61**		
04-Dec	10 year	20	53.0	20	2.65	6.8	-14.6
11-Dec	20 year	20	50.9	20	2.55	6.7	-26.3
Subtotal		**40**	**103.9**	**40**	**2.60**		
All Auctions		**111**	**289.5**	**105**	**2.61**		

Source: Philippine Dealing Systems (PDS)

GS Primary Market: Investors Demand Surges in January

The primary market for government securities (GS) greeted the new year 2019 with a strong start off the block in terms of absolute and relative tenders and lower yields.

The total amount tendered by bidders for GS reached P289.5-B with a tender-offer ratio (TOR) of 2.61x in January compared to P157.7-B and TOR of 2.10x in the previous month. In general, investors opted to go more for short-term Treasury bills (T-bills) for which TOR was 2.6x, a big jump from 1.7x in December. On the other hand, the longer-dated Treasury bonds (T-bonds) slightly eased to 2.59x from 2.64x a month ago.

In the short-term space, we saw the strongest demand for 364-day T-bills, wherein Bureau of the Treasury (BTr) offered additional P8-B on the tap facility twice last month. The January 7 tap facility hardly attracted investors, but the January 21 tap facility drew as much as P31.3-B. The TOR for the 364-day T-bill hit 3x, easing to 2.1x for 182-day T-bills and even lower at 0.8x for the 91-day T-bill auctions. That's why we saw bids for the 364-day papers account for 67.7% of all bids while only 8.9% for the 91-day T-bills.

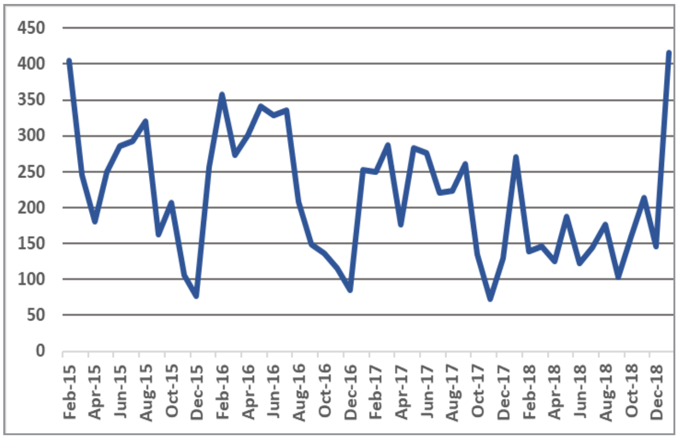
The appetite for the longer dated 10-year and 20-year T-bond auctions showed similar hunger with TORs of 2.65x and 2.55x, respectively.

Bond investors stepped on the gas as secondary trading volume in GS rose to a 4-year high of P415.3 B in January, with the prospect of further deceleration in domestic inflation.

The heftier demand for both short and long-dated debt papers showed up quite obviously in the sharply lower yields across all offered tenors. 364-day T-bill yields plunged by 63.9 bps in January to end at 5.946% from 6.585% a month ago. With a 45.3 bps to 5.892%, yields of 182-day T-bills came in next. With weak demand, 91-day T-bill yields rose by 21.1 bps to 5.534% from 5.323% in the preceding month. The reason why the 91-day T-bill yields even went up was that BSP was paying higher at 5.65% of its 28-day term deposit facility (when annualized on a compounded basis) in end-January.

Meanwhile, BTr offered long term Treasury bonds (T-bonds) of P10 B each for 10-year and 20-year T-bonds and with good amount of bids, their yields also slipped from their previous issuances, albeit at a slower pace. 10-year T-bonds yielded at 6.829%, down by 14.6 bps from December 4, 2018 issue at 6.975%. The 20-year T-bonds yield also dropped by 26.3 bps to 6.713% compared to 6.979% fetched during its last auction on June 19, 2018.

Figure 9 - Monthly Total Turnover Value (in Billion Pesos)



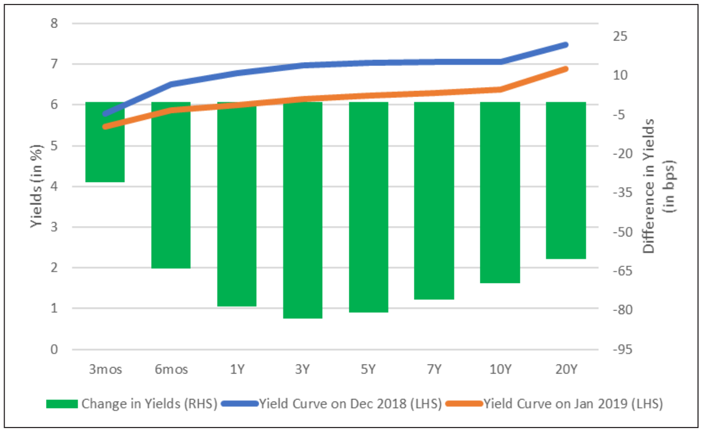
Source: Philippine Dealing Systems (PDS)

Secondary Market (GS): Turnover Hits 4-Year High

Bond investors stepped on the gas as secondary trading volume in GS rose to a 4-year high of P415.3-B in January, with the prospect of further deceleration in domestic inflation. At the same time, the heightened risk appetite drove the yield curve lower across all tenors.

Trading volume in the secondary market increased to P415.3-B or 184.6% from P145.9 B last December 2018. On a year-on-year (y-o-y) basis, it also showed a huge jump of 54.1%. A good follow through to this auspicious start would validate our earlier positive outlook for bonds in 2019.

Figure 10 - GS Benchmark Bonds Yield Curves



Source: Philippine Dealing Systems (PDS)

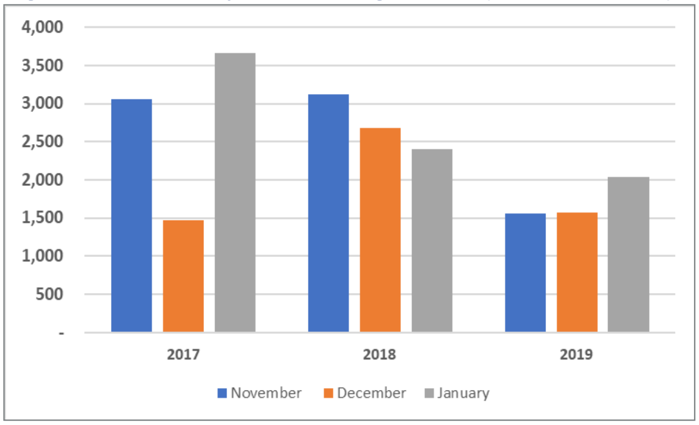
As may be seen in Figure 10 above, the yield curve at end-January had shifted downward from end-December. Yields on tenors of 6-months and longer displayed large declines of 63.9 bps (6-months) to 83.3 bps (3-year). Investors appear convinced that inflation will easily fall in BSP's target range of 2% to 4% this year and showed bullishness for longer dated papers. Thus, 10 year T-bond yields sank by a huge 69.5 bps to 6.37%, while the 20-year T-bonds tumbled by 60.5 bps to end January at 6.886%. The biggest plunge occurred at the 3-year space which saw yields plummet by 83.3 bps to 6.143%. The 3-month benchmark yield slid the least with "only" a 30.8 bps drop to 5.468%, while the 1-year tenor yielded 78.6 bps lower to 5.997%. 1-year tenor yielded 78.6 bps lower to 5.997%.

Corporate Bond Market: Total Volume Improves in Jan

Secondary trading volume in corporate bonds volume improved by 29.3% (month-on-month, m-o-m) to P2-B from December 2018. However, this proved not strong enough such that it still fell by 15.3% from P2.4-B a year ago.

Reflecting a good start for the real estate industry, ALI secured the top spot with P276.6 M, up by 117.9% m-o-m and followed by mother company AC with P174.6 M also a big 76% jump m-o-m.

Figure 11 - Total Corporate Trading Volume (in Million Pesos)



Source: Philippine Dealing Systems (PDS)

Secondary market trading in five leading corporate issues—i.e., SM Prime Holdings (SMPH), San Miguel Brewery (SMB), Ayala Land Inc. (ALI), Ayala Corporation (AC) and SM Investments Corporation (SMIC) also had a significant increase in its total volume at 32.1% m-o-m to P808.5-M.

Reflecting a good start for the real estate industry, ALI secured the top spot with P276.6-M, up by 117.9% m-o-m and followed by mother company AC with P174.6-M also a big 76% jump m-o-m. Claiming the third and fourth spot, trading in SMIC and SMPH totaled P162.8-M and P117.9-M, respectively. These represented a surge of 726.3% and 49% m-o-m for these two issues. Lastly, SMB saw trading in its debt papers plummet by 73.3% m-o-m, from P287-M last December to P76.7-M last month.

Corporate Issuances and Disclosures

• AC Energy Inc., Ayala Corporation's (AC) energy platform, successfully set the terms of its inaugural US dollar-denominated senior Green Bond issuance of $225 M with a 5-year tenor and a coupon of 4.75% per annum, priced at 99.451. The bonds will be issued by AC Energy Finance International Limited, a wholly-owned subsidiary of AC Energy, and will be guaranteed by AC Energy. It is a drawdown off a recently established $1-B Medium Term Note Program and the Bonds will be listed on the SGX-ST.

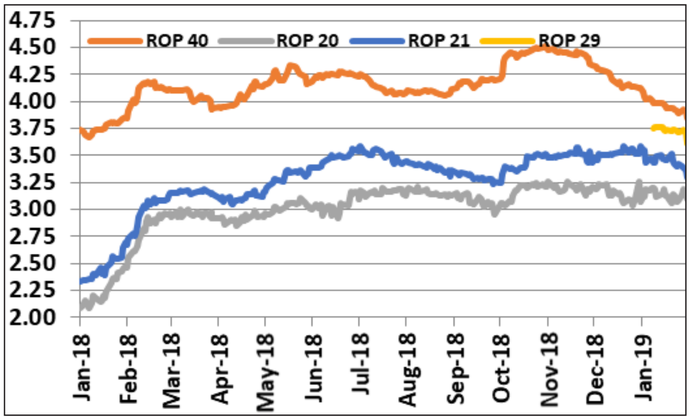
• The Board of Directors of Aboitiz Power Corporation (AP) approved the issuance of up to P16.8-B fixed-rate retail bonds (the remaining "Third Tranche Bonds") out of the P30-B bonds registered in 2017 under the shelf registration program of the Securities and Exchange Commission (SEC). Subject to market conditions, AP expects to offer the issue to the general public in the H2-2019 and shall be listed with the Philippine Dealing and Exchange Corporation (PDEx) as and when issued. Proceeds of the bonds will be used to finance planned acquisitions, future investments, and/or other corporate requirements.

• The Board of Directors of Aboitiz Equity Ventures Inc. (AEV) approved the issuance of fixed-rate peso-denominated retail bonds of up to P30-B, to be issued in one or more tranches depending on market conditions. The bonds fall under the shelf registration program of AEV with the SEC and AEV plans to offer the issuance to the general public in 2019. It also plans to list the bonds with PDEx. AEV will use the proceeds of the Bonds to finance planned acquisitions, future investments, and other general corporate requirements.

• The Board of Directors of International Container Terminal Services, Inc. (ICT) authorized the execution of a term loan facility agreement (the "Facility Agreement") wherein ICT will be acting as the guarantor and ICTSI Middle East DMCC as the borrower (the "Borrower"). The Facility Agreement will be entered into pursuant to the Loan Facility Program Agreement dated July 24, 2014 entered into between ICTSI Global Finance B.V. as the borrower, ICT as the guarantor, and The Bank of New York Mellon, Singapore Branch as the trustee. The Borrower, a wholly-owned subsidiary of ICT incorporated under the laws of the Emirate of Dubai, will accede to the Loan Program as an additional borrower and an additional obligor thereunder. The Facility Agreement relates to a term loan credit facility (the "Facility") for an aggregate amount of EUR260-M with a tenor of up to four years.

Yields fell across-the-board and outperformed the equivalent US Treasuries, resulting in lower spreads between the ROPs and US debt papers.

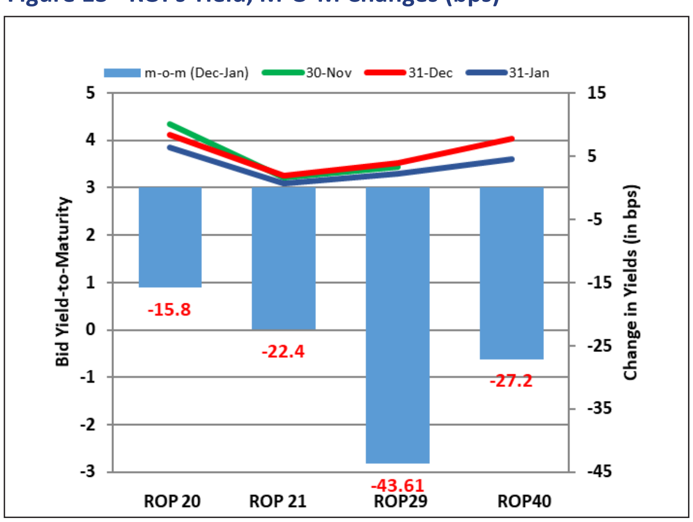
Figure 12 - ROPs Yield, ROPs Yield M-O-M Changes (bps)



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

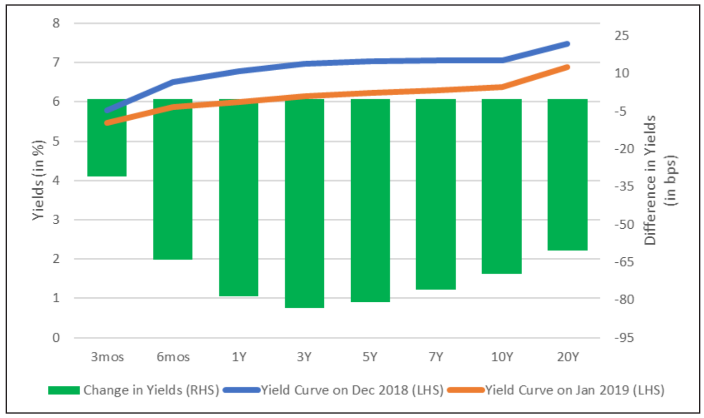
Like peso-denominated government bonds, US dollar-denominated GS (ROPs) also had an encouraging start in 2019. Yields fell across-the-board and outperformed the equivalent US Treasuries, resulting in lower spreads between the ROPs and US debt papers. In addition, the Philippine government successfully launched a $1.5-B, 10-year ROPs with a coupon rate of 3.75% on January 14, 2019. ROP-29 obtained a spread of 110 bps over 10-year US T-bond yield, some 20 bps lower than the initial indicative spread. By the end of January, the issue's yield had dropped to 3.606%, making it immediately rewarding for investors.

Figure 13 - ROPs Yield, M-O-M Changes (bps)



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

Figure 14 - ASEAN+2 Bond Yield to Maturity per Tenor



Sources: Asian Development Bank (ADB)

ASEAN+2: Regional Yield Curves Flatten

US: US economy continued its ascent as it created an outsized 304,000 jobs in January compared to 222,000 (revised downward) in December. But the unemployment rate inched up to 4% from 3.9% a month ago. The slight rise in the unemployment rate resulted from higher labor participation rate of 63.2%, up 0.1% from December. That means some 150,000 entered the labor force (almost 3x the usual monthly increase) and with labor supply still abundant, wage growth decelerated to 0.1% in January from 0.3% (seasonally adjusted, m-o-m) and remained stable on a y-o-y basis at a modest 3.2%.

Manufacturing sector accelerated in January as Purchasing Managers' Index (PMI) reached 54.1 from 53.8 in December, with strength coming from better output, employment and lower costs. On the other hand, CPI inflation slipped by 0.1% (s.a., m-o-m) in December and slowed to 1.9% from 2.2% (y-o-y).

10-year T-bond yields started 2019 at a 1-year low of 2.55%, which rose to 2.78% at mid-month after the Federal Open Market Committee (FOMC) on January 9 released minutes of its December meeting which noted a 0.2 percentage points reduction in the median inflation for 2019, and that "For the end of 2019, the median of federal funds rate projections was 2.88 percent, consistent with two 25 basis point rate increases over the course of 2019. Thereafter, the medians of the projections were 3.13 percent at the end of 2020 and 2021. [a 25 bps reduction from September projections]." Yields retreated to 2.68% by end-January as the global slowdown, trade wars, and geopolitical uncertainties loomed

Bloomberg Economics' indicator showed that China's economy slowed for an eighth straight month in January, as weaker global demand and decelerating factory inflation combined to undercut growth.

larger. The spread between 10-year and 2-year T-bonds narrowed further to 18 bps from 55 bps in December, but the unabated strength of job creation makes us skeptical of a US recession in 2019.

China: Bloomberg Economics' indicator showed that China's economy slowed for an eighth straight month in January, as weaker global demand and decelerating factory inflation combined to undercut growth. The Bloomberg indicator aggregates the earliest-available indicators on business conditions and market sentiment. "Concerns over global trade and fragile confidence continue to weigh on the economy." China's Manufacturing PMI showed up at 49.5, a tad higher from 49.4 in December, the second month of contraction (below-50). Bloomberg economists estimate that China's GDP will grow by 6.2% in 2019, slower than the 6.6% print for 2018. In order to offset the lingering weakness, the Chinese government has relied on tax cuts which started in May 2018 (e.g., lower VAT for manufacturing, transportation, construction, telecommunications and farm produce industries, followed by a cut in personal income taxes and the introduction of more deductions). Earlier last month, the State Council announced a $29-B annual tax cut plan for small companies. JP Morgan Chase estimates these moves to have a $300 B impact on growth, or equivalent to 1.2 percentage points. In addition, the National People's Congress is drafting new laws to further encourage foreign investments. In the meantime, the 2 percentage points reduction in reserve requirement to 13.5% done last October 2018 appears to have beefed up credit growth which exceeded expectation in December.

The government forecasts inflation to edge up by 2.2% in 2019 from 2.1% in 2018, despite slower GDP growth. The yield curve moved downward and slightly flatter as the spread of 10-year to 2-year bond yields slipped to 50 bps from 55 bps in December.

Malaysia: The Malaysian manufacturing sector began 2019 with little zest as Nikkei Malaysia Manufacturing PMI showed fourth successive monthly deterioration to January. While PMI for January moved up to 47.9 from 46.8 in December, it remained below 50 as a result of weaker export sales, input purchases and inventories. This may be harbinger of the expected slowdown of GDP growth to 4.7% in 2019 from an estimated 4.9% in 2018 (World Bank). On the other note, trade surplus dropped to RM7.2-B ($1.7-B) in December as exports rose meekly by 1.3%. This portends slow trade growth in coming months because of the issue in the global economic slowdown, especially in the demand for electrical and electronic products. The downside risk got exacerbated by the government's cancellation of China government infrastructure projects which the new administration believes to be onerous. Key driver for the country's growth will depend on domestic demand. Inflation, however, will be moderately higher compared to 0.8% in 2018, due to its dependence on global oil prices. Monetary policy stance, however, remained unchanged, and so we saw Malaysia's yield curve's steepness (measured by the spread of 10-year to 2-year bond yields) remaining stable at 55 bps since December.

Indonesia: Bank Indonesia (BI) expects inflation in january to settle at 0.5% m-o-m, slower than Decembers 0.6% due to low commodity price and controlled food supply that support the inflation. Rupiah's depreciation has been manageable according to the central bank. Foreign inflows have also been coming, mostly in GS totaling Rp11.5-T. Meanwhile, BI Governor Perry Warjiyo has said that the rupiah is still undervalued, and could strengthen amid slower pace of Fed rate hike, improving investors' confidence as shown by increasing capital inflows through stocks and government debt papers reaching Rp19-T ($1.3-B) in January and improving economic fundamentals.

Indonesia yield curve slightly positioned in upward slope as spreads between the 10-year to 2-year bonds rise by 3bps, from 74 bps last year to 77 bps this January. BI policy rate is steady at 6%.

Thailand: According to Thailand's Fiscal Policy Office (FPO), growth forecast for this year will be 4%, a tad slower than 2018's expansion of 4.1%. Key drivers for growth are the state and private investments as well as domestic spending due to the election clarity and public-private partnerships (PPP). While inflation is forecasted to slow to 1% this year from predicted 1.1% last year. On the other hand, financial investment is forecasted to spike up this year as private investment will be increase because of the government's infrastructure projects. Bangkok Bank set a loan target of 4.5% this year. In addition, Bank of Ayudhya (BAY) is expecting a positive loan growth from Japan-based corporation.

NG net domestic borrowing (75% of financing needs) is budgeted some P782 B, a significant 30% increase from the estimated P600 B in 2018.

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 and 2-year spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Dec-18	Jan-19			
US	2.45	2.63	2.4	0.23	53	18	(35)	2.50	0.10
China	2.61	3.11	1.9	1.11	55	50	(5)	4.35	0.45
Indonesia	7.24	8.01	3.2	4.81	74	77	3	6.00	2.80
Malaysia	3.52	4.07	1.0	3.27	55	55	0	3.25	2.25
Thailand	1.77	2.38	1.1	1.18	73	61	(12)	1.75	0.65
Philippines	6.09	6.37	3.1	1.07	18	28	10	4.75	1.65

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

Yield curve spreads between 10-year to 2-year bonds declined by 12 bps from 73 bps last December to 61 bps last month.

Outlook

With a good liftoff to start 2019, the rest of the year continues to look promising for the bond markets.

• Despite outsized job gains in December and January in the US economy, the labor market still has a bit of slack as wage growth in January was just 0.1% (seasonally adjusted, m-o-m) from 0.4% in December. The economy continues to welcome back erstwhile discouraged people into the labor force, thus, providing much scope for continued job growth with minimal wage gains. Inflation, too, has trekked below 2% as crude oil prices have remained low. Thus, 10-year bond yields have stayed below 2.8% with little upside in the near-term.

• As pointed earlier, domestic factors, particularly receding inflation and liquidity needs of banks adequately addressed, will dictate the tempo of domestic long-term bond yield movements. As it is the substantial decline of long-term bond yields, e.g., 10-year T-bond yields sank by 69.4 bps from end-December. These will likely follow inflation, albeit at a slower pace.

• The same cannot be said about the short-term bond yields. These are constrained by BSP's policy rate and open market operations, banks' hunger for liquidity and NG net borrowing requirements. Yields in this space will move down only to the extent that BSP provides more liquidity to the banking system, e.g., by reducing reserve requirements, lessen the total amount of their offerings for TDFs, and eventually, the policy rate. But we see all these happening throughout 2019 at different times though.

• NG net domestic borrowing (75% of financing needs) is budgeted some P782-B, a significant 30% increase from the estimated P600-B in 2018. Nonetheless, the incremental domestic saving of some P650-B should manage the requirements with little impact of bond yields.

• Corporate bond issuances slowed in January but may be expected to soar in H2 when inflation would have settled below 3% (y-o-y).

• ROPs will follow US Treasury movements, although spreads may widen slightly, as perceived country risks may follow emerging market sentiment (i.e., affected by global slowdown, trade wars, and geopolitical developments).

PSEI BEATS GLOBAL DOWNTURN IN DECEMBER AND GLOWS AT START OF 2019

The local bourse survived the December onslaught on stock markets around the world by edging up 1.3% to end the year at 7,466.02, on top of a 3.2% recovery in November. Thus, the PSEi's tiptoeing in the "bear market" territory appeared to be transitory. The Philippine story continued well into 2019, as it raced up beyond 8,000 to be the top world performer for the first 15 days of the New Year. The sharp deceleration of inflation to 5.1% in December from its peak of 6.7% in September and October allowed investors to take on more risk at the beginning of the year.

Outlook: With our sanguine view that the Fed may raise policy rates only once or none at all this year, the sharp fall in inflation which we expect to go below 3% by Q3 and average well within the Bangko Sentral ng Pilipinas' (BSP) inflation target, and bond yields likely to follow suit, while the economy gets back into faster growth, the solid macroeconomic fundamentals appear quite supportive of the equities market. These, together with our expectation of a 10% growth in EPS and the likely return of the market PE to 5-year average should propel PSEi to reach 8,400 to 8,800 in 2019.

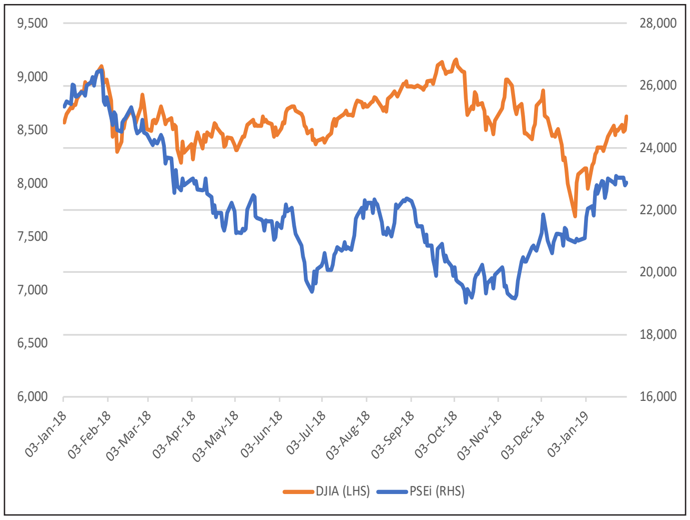
Global Equities Markets Performances

Region	Country	Index	December M-o-M change	2018 change
Americas	US	DJIA	7.2%	7.2%
Europe	Germany	DAX	5.8%	5.8%
	London	FTSE 101	3.6%	3.6%
East Asia	Hong Kong	HSI	8.1%	8.1%
	Shanghai	SSEC	3.6%	3.6%
	Japan	NIKKEI	3.8%	3.8%
	South Korea	KOSPI	8.0%	8.0%
Asia-Pacific	Australia	S&P/ASX 200	3.9%	3.9%
Southeast Asia	Indonesia	JCI	5.5%	5.5%
	Malaysia	KLSE	-0.4%	-0.4%
	Thailand	SET	5.0%	5.0%
	Philippines	PSEi	7.3%	7.3%
	Singapore	STRAITS	4.0%	4.0%

Sources: Bloomberg & Yahoo Finance

Equities markets greeted the New Year with glee as all bourses exhibited growth rates above 3% (m-o-m), except for KLSE which ended on the red by the end of January. Stock markets got boosts from US strong employment gains in December, Fed holding policy rates unchanged, and trade talks between US and China advancing, all combined to whet investor appetite. KLSE kept to the lone dark spot as domestic business and consumer sentiment continued to dip. The three that displayed the biggest improvements, however, were the Asian bourses, with HSI, PSEi, KOSPI, and PSEi, gaining by 8.1%, 8%, and 7.3% respectively. These markets did better than the US which shot up by 7.2%. Surprisingly, the Eurozone markets posted decent upticks despite lingering uncertainties on Brexit.

Figure 15 - PSEi and DJIA



Sources: Wall Street Journal, Bloomberg

Investor confidence in the US rubbed the local stock market, as the correlation of DJIA and PSEi rose to +0.70, showing an improvement from +0.4 last December. US stocks closed higher at the latter half of January, with DJIA regaining the 25,000-level for the first time last month while Philippine stocks similarly moved upwards, breaking the 8,000-level in mid-January. Optimism pervaded US markets as the Fed took on a dovish position, leaving policy rates unchanged after four hikes in 2018. Positive sentiments can also be attributed to strong employment reports in several US industries, including leisure and hos-

Stoking sectoral growth, Security Bank Corporation (SECB) rallied the most among banks, gaining 15.5%, a recovery from last December's drop in share prices.

pitality, construction, health care, and transportation and warehousing. On the other hand, Philippine stocks recovered to a 9-month high towards the end of the month as investor sentiment improved with inflation cooling down to 5.1% in December and earnings expected to boost due to election-related spending, with the market absorbing lower-than-consensus Q4-2018 GDP data, there was a slight dip in January 23. Overall, January posted strong trading activity, sustaining the upward momentum from previous months.

Monthly Sectoral Performance				
	28-Dec-18		31-Jan-19	
Sector	Index	% Change	Index	% Change
PSEi	7,466.02	1.3%	8,007.48	7.3%
Financial	1,779.85	1.2%	1,825.20	2.5%
Industrial	10,951.36	2.8%	11,667.18	6.5%
Holdings	7,341.81	1.5%	7,968.46	8.5%
Property	3,627.98	0.7%	3,921.56	8.1%
Services	1,442.71	2.9%	1,582.29	9.7%
Mining and Oil	8,200.50	-3.4%	8,503.37	3.7%

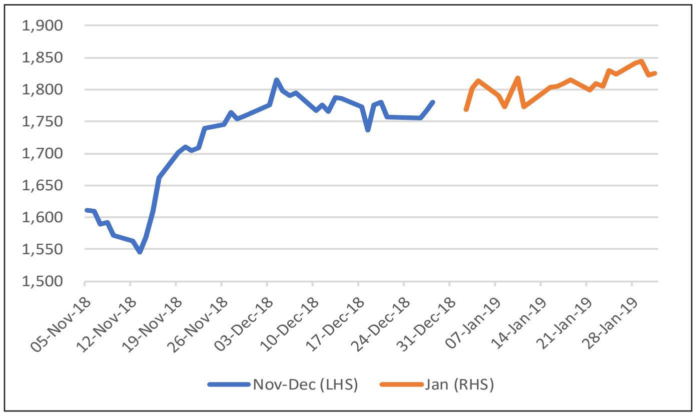
Source of Basic Data: PSE Quotation Reports

Positive news from US boosted global market sentiments, especially in the local bourse as seen in the significant upswing to +7.3% in January from +1.3% last December. PSEi continued December's momentum reaching a high of 8,053.92 and ending the month at 8,007.48 as investor confidence continued to improve. Top gainers were Services, Holdings, and Property sectors with their constituent stocks increasing by 9.7%, 8.5%, and 8.1%, respectively. Industrial and Financial sectors also ended in the green, with gains of 6.5% and 2.5%, respectively. Even Mining and Oil sector had an uptick of 3.7%, an improvement from December's 3.4% decline.

Company	Symbol	12/28/18 Close	31/01/19 Close	% Change
Metrobank	MBT	80.95	84.00	3.8%
BDO Unibank, Inc.	BDO	130.80	135.00	3.2%
Bank of the Philippine Islands	BPI	94.00	91.00	-3.2%
Security Bank Corporation	SECB	155.00	179.00	15.5%

Source of Basic Data: PSE Quotation Reports

Figure 16 - Financial Sector Index (Nov 2018 - Jan 2019)



Source of Basic Data: PSE Quotation Reports

Financial Sector: Slightly Bigger Gains

The Financial sector ended in the green, slightly rising from December's 1.2% to 2.5% last January. As evident, January's performance in the Financial sector follows an increasing trend but at a slower pace as compared to other sectors.

Stoking sectoral growth, Security Bank Corporation (SECB) rallied the most among banks, gaining 15.5%, a recovery from last December's drop in share prices. SECB emerged as the only bank to book double-digit increases given that it did not have loan exposure to shipbuilder Hanjin Heavy Industries and Construction Corporation (HHIC-Philippines) which filed a petition for corporate rehabilitation (bankruptcy).

Though Metropolitan Bank and Trust Company (MBT), BDO Unibank, Inc. (BDO), and Bank of the Philippine Islands (BPI) have loan exposure to Hanjin, Hanjin's default will only affect the banking sector minimally. The loan exposure only represents 0.24% of total loans and 2.49% of foreign currency deposit unit loans.

MBT followed SECB with a modest increase of 3.8%, a slowdown from December's 8.5% uptick. The positive outlook for MBT comes from its loan expansion plans after it raised P18-B from re-issuance of its peso-denominated bonds.

BDO grew by 3.2% after its Board of Directors approved the declaration of cash dividends on Preferred Shares Series "A" at the rate of 6.5% per annum of the par value, for a total dividend amount of P340-M.

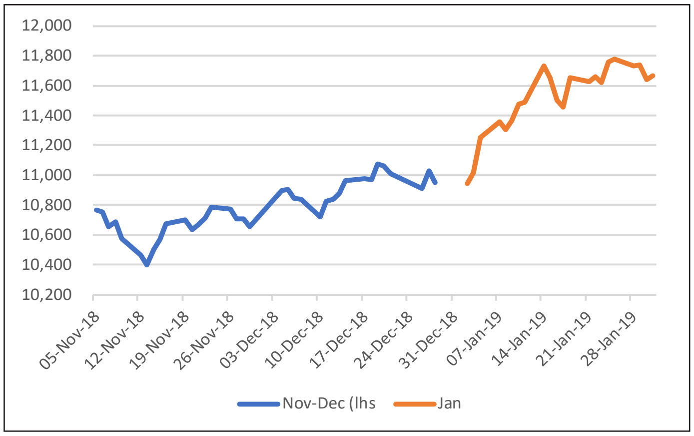
Meanwhile, Universal Robina Corporation (URC) finally took off as its share prices soared by 16.6%, a huge recovery from previous month's 0.8% slump.

BPI proved to be the lone dark spot among financial stocks, taking a 3.2% hit, even though it announced a $260-M signed agreement with IBM on fintech.

Company	Symbol	12/28/18 Close	31/01/19 Close	% Change
Meralco	MER	380.00	365.80	-3.7%
Aboitiz Power	AP	35.10	38.40	9.4%
Jollibee Foods Corporation	JFC	291.80	316.00	8.3%
First Gen Corporation	FGEN	19.98	20.40	2.1%
Universal Robina Corporation	URC	127.00	148.10	16.6%
Petron Corporation	PCOR	7.71	7.48	-3.0%

Source of Basic Data: PSE Quotation Reports

Figure 17- Industrial Sector Index (Nov 2018 - Jan 2019)



Sources: PSE Quotation Reports

Industrial Sector: Only 4th in Share Price Growth

Even though the Industrial sector ended with a growth of 6.5%, which built on December's increase of 2.8%, the sector ranked only 4th in share price growth. This sector's upsurge from November to December, steadily increased after mid-January. Aboitiz Power Corporation (AP), Jollibee Foods Corporation (JFC), and First Gen Corporation (FGEN) remained on the green, posting 9.4%, 8.3%, and 2.1% gains, respectively. In the negative territory, Petron Corporation (PCOR) continued its decreasing trend, albeit decelerating from the 6% fall last month, while Meralco (MER) dipped further by 3.7% from December's slide of 1.1%. Meanwhile, Universal Robina Corporation (URC) finally took off as its share prices soared by 16.6%, a huge recovery from previous month's 0.8% slump. Industrial sector grew at a faster pace with a slight dip in the latter half of January but managed to rebound by the last week of the previous month.

Despite the Philippine Competition Commission's (PCC) rejection of the merger between URC and Roxas Holdings, Inc. (RHI), URC still managed to make a comeback from December's red. Continuous strong net foreign buying on URC shares supported the upward trend, while the PCC remained open to adjustments by URC commitments to dispel anti-competitive elements.

AP's share price value increased by 9.4%, even it closed down Therma Mobile, Inc. power plants due to lack of supply deals. Nonetheless, AP grew last month as AP discontinued supply of electricity to HHIC-Philippines ahead of expiration of their one-year contract this February, steering away from financial risks HHIC will face. Additionally, AP has positive outlooks with a planned P17-B issuance of fixed-rate retail bonds within the H2-2019 to finance acquisitions and further expansion plans.

JFC's share price continued to move on an upward trend, recording 8.3% growth last month. With expectations of lower inflation rates, consumer demand is seen to recover. Furthermore, JFC's acquisition of a 47% stake in Mexican chain Tortas Frontera provided support to the upswing.

FGEN displayed muted growth of 2.1%, significantly lower than December's 12.8% gains. FGEN failed to sustain growth despite announcements of a renewed contract with food firm General Milling Corporation (GMC) at the start of January. FGEN disclosed that it will provide electricity to GMC's factory in Lapu-Lapu city sourced from Energy Development Corporation (EDC), FGEN's renewable energy arm.

Meralco's share price continued to dip with a decline of 3.7% in January. Regardless of expectations on higher sales due to lower inflation rates, MER has been consolidating even as TMO announces that it will disconnect from MER'S system and no longer act as its trading participant due to a lack of supply deals.

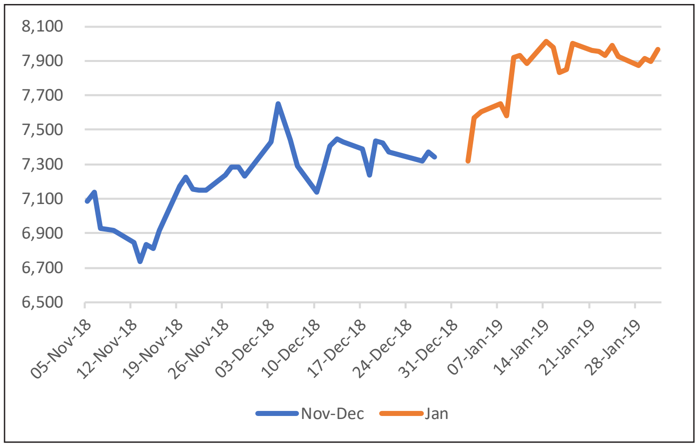
PCOR's share prices dropped again last month by 3%, due mainly to news late December that the Court of Tax Appeals (CTA) denied PCOR'S petition for an excise tax refund.

Best performer in the sector was AEV whose stock price swelled by 16.8% in January.

Company	Symbol	12/28/18 Close	31/01/19 Close	% Change
Ayala Corporation	AC	900.00	927.000	3.0%
Metro Pacific Investments Corporation	MPI	4.64	4.86	4.7%
SM Investments Corporation	SM	917.50	990.00	7.9%
DMCI Holdings, Inc.	DMC	12.78	12.58	-1.6%
Aboitiz Equity Ventures	AEV	55.00	64.25	16.8%
GT Capital Holdings, Inc.	GTCAP	975.00	1,067.00	9.4%
San Miguel Corporation	SMC	147.00	165.00	12.2%
Alliance Global Group, Inc.	AGI	11.90	13.70	15.1%
LT Group Inc.	LTG	16.60	15.50	-6.6%
JG Summit Holdings, Inc	JGS	55.70	64.65	16.1%

Source of Basic Data: PSE Quotation Reports

Figure 18 - Holdings Sector Index (Nov 2018- Jan 2019)



Sources: PSE Quotation Reports

Holdings Sector: Constituent Stocks Posted Highest Growth

The Holdings sector posted the second-highest growth among sectors last month at 8.5%, with most of its constituent stocks experiencing increased share prices. In the first half of the month, Holdings sector grew at an increasing rate but stabilized by the latter half of January. Companies that exhibited double-digit gains included: Aboitiz Equity Ventures (AEV), JG Summit Holdings, Inc. (JGS), and Alliance Global Group, Inc. (AGI) with growths of 16.8%, 16.1%, and 15.1%, respectively. San Miguel Corporation (SMC) made a major comeback from December's 15.9% downturn with a 12.2% increase. Exceptions to the sector's uptrend included LT Group, Inc. (LTG) and DMCI Holdings, Inc. (DMC) which declined by 6.6% and 1.6%, respectively.

Best performer in the sector was AEV whose stock price swelled by 16.8% in January. There was a disclosure of a potential partnership between an AEV unit, Aboitiz InfraCapital Inc. and an international airport operator for its P42.7-B unsolicited proposal to upgrade the Laguindingan Airport in Misamis Oriental. AEV also has plans to invest as much as $200-M in the coming years for the expansion of its single largest overseas agribusiness, Gold Coin Management Holdings Ltd.

Not far behind, JG Summit (JGS) posted 16.1% m-o-m gain. This surge likely relates to the award of the operations and maintenance contract of the Clark International Airport to JGS and partner Filinvest Development Corporation, and its allocation of P6-B worth of investment in capex for this project.

AGI's share value increased by 15.1% last month. Following the reports of resuming construction of the Westside City Resorts project, AGI posted strong net foreign buying of P500-M.

San Miguel Corporation's (SMC) share prices rose by 12.2% last month as the Department of Public Works and Highways (DPWH) granted SMC the original proponent status to extend the Tarlac-Pangasinan-La Union Expressway (TPLEX) from the Rosario to San Juan, La Union.

GT Capital (GTCAP) posted 9.4% growth last month, attributable to the disclosure that its subsidiary, Toyota Motor Philippines (TMP) remained to be the top automotive brand in the country, accounting for 43% sales of the total market in 2018. Additional positive vibes came from expectations on a recovery for TMP's projected single-digit sales growth in 2019 from 2018's decline of 17% year-on-year (y-o-y) amid upcoming elections, tempering inflation, and normalizing interest rates.

SM Investments Corporation (SM) posted stronger growth last month by 7.9% picking up from December's news on announced partnership with Grab Financial and the expansion of Alfamart, an affiliate of the firm.

Metro Pacific Investments Corporation (MPI) share price also spiraled upwards as it disclosed plans to allot P45-B for capex this year as its toll road arm, Metro Pacific Tollways Corporation, sealed the deal to construct major PPP projects this 2019 such as the 45-km. Cavite-Laguna Expressway (Cavitex), C5 Southlink, NLEx-SLEx connector road, and

The Property sector was among the top performers, increasing by 8.1% last month, sustaining the growth momentum since November 2018.

Cebu-Cordova Link Expressway in Cebu. Additionally, MPI's logistics unit, MetroPac Movers Inc. also laid down the groundwork for the construction of its mega distribution center land in General Trias, Cavite, and land acquisitions in San Rafael, Bulacan.

AC's value ended on the green last month as compared to December's 5.4% decline. The 3% gains likely drew impetus from AC's power unit, AC Energy, Inc.'s acquisition of a 51.5% stake in Phinma Energy Corporation (PHEN) and also recent deals of its other subsidiaries (AC Industrials, Inc. and AC Health, Inc.). AC also benefitted from strong net foreign buying of P361.4 M last month. However, AC's value failed to gain traction after news that Japan-based Mitsubishi Corporation sold 13-M shares, 2.06% of AC shares, at P900/share, a 7.3% discount from January 15's close.

Meanwhile, LTG's value plummeted by 6.6% despite its management's disclosure that it plans to revive the operations of its distillery unit, Asian Alcohol Corporation.

Also on the red, DMC's share price slipped by 1.6% after Credit Suisse, a foreign investment house disclosed recommendation of Underperform and a price target of P11.23.

Company	Symbol	12/28/18 Close	31/01/19 Close	% Change
Ayala Land, Inc.	ALI	40.60	44.40	9.4%
SM Prime Holdings, Inc.	SMPH	35.80	38.10	6.4%
Robinsons Land Corporation	RLC	20.15	22.05	9.4%
Megaworld Corporation	MEG	4.75	5.16	8.6%

Source of Basic Data: PSE Quotation Reports

Figure 19 - Property Sector Index (Nov 2018- Jan 2019)

Source of Basic Data: PSE Quotation Reports

Property Sector: All Stocks Land on the Green

The Property sector was among the top performers, increasing by 8.1% last month, sustaining the growth momentum since November 2018. All companies landed in the green with Ayala Land, Inc. (ALI) and Robinsons Land Corporation (RLC), both of which gained by 9.4%, reversing their December declines, giving the best performances in in the sector. RLC sustained growth with inflationary pressures stabilizing, and likely easing of policy and mortgage rates.

On the other hand, ALI rebounded from December's 2.5% decline, as it closed January with a 9.4% gain. The company received recognition from Lamudi, the Philippines' leading online real estate platform, as the "Best Developer in Luzon". This month saw the implementation of its continued expansion plans for its hotel brand, Seda and its residential brand, Amaia into more locations.

Megaworld Corporation (MEG) came second to last among property stocks, but still jumped by 8.6% last month after the announcement on P65-B budget allocation for capital expenditures this 2019. Eighty percent of the funds will be spent on developments of townships and the remaining 20% for the expansion of its landbanks. Moreover, MEG will launch 28 new residential towers, five new office towers, and five commercial projects to increase its rental income.

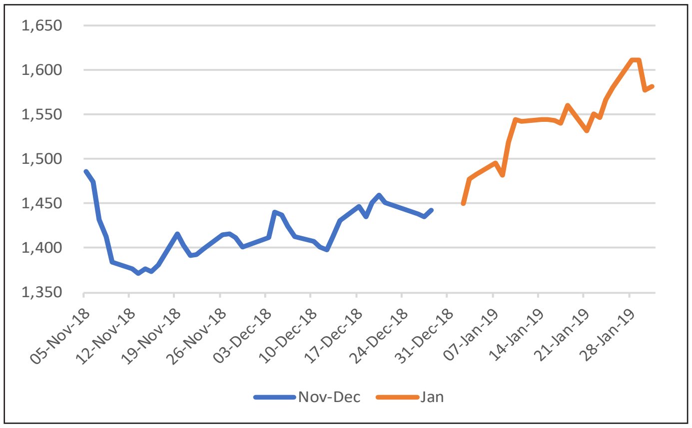
SM Prime Holdings' (SMPH) experienced a 6.4% uptick last month, attributable to reports that the company remains constructive on its retail strips and is not facing an oversupply in the Philippines. SMPH plans to put up four malls and expand two current malls (SM Baguio and SM Fairview). However, SMPH posted the slowest growths as the Department of Environment and Natural Resources (DENR) issued orders to SMPH officials regarding "remedial measures" to implement after sending notices of alleged violations of the Clean Water Act.

The Services sector ended the strongest, registering a 9.7% growth last month with all firms ending on the green, with gains of above 5%.

Company	Symbol	12/28/18 Close	31/01/19 Close	% Change
Philippine Long Distance Tel. Co.	TEL	1,125.00	1,290.00	14.7%
Globe Telecom	GLO	1,900.00	2,020.00	6.3%
Robinsons Retail Holdings, Inc.	RRHI	80.00	88.00	10.0%
Puregold Price Club Inc.	PGOLD	43.00	45.50	5.8%
International Container Terminal Services Inc.	ICT	100.00	108.20	8.2%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Services Sector Index (Nov 2018- Jan 2019)



Source of Basic Data: PSE Quotation Reports

Services Sector: Ends Strongest Recording a 9.7% Growth

The Services sector ended the strongest, registering a 9.7% growth last month with all firms ending on the green, with gains of above 5%. Steadily increasing since November to December, the Services sector rose at a significantly faster pace as trading levels reached its peak in the last three months.

Philippine Long Distance Telephone Co. (TEL) enjoyed the biggest gains in the sector with a 14.7% upsurge from the previous month after the disclosures of a partnership between PLDT Smart Communications, Inc. and GMA Network, Inc. to create game-changing innovations for digital TV.

On the other hand, its rival Globe Telecom experienced slower growth of 6.3%, albeit performing better than December's 3.6% downturn, as news spread on a personal data breach affecting a few thousands of GLO customers. Besides, the Department of Information and Communications Technology (DICT) claimed that GLO's tower company may find itself uncompetitive in the looming tower sharing market in the Philippines. Despite these, GLO still managed to land on the green with announcements of its cloud migration completion by midyear, making it a fully cloud-native company this year. Both telco giants also benefitted from some key legal issues raised on the award of the 3rd telco franchise to Mindanao Islamic Telephone Company's (Mislatel).

Next to TEL came Robinsons Retail Holdings, Inc. (RRHI) which rose by 10%. The recent uptrend of RRHI came about after reported inflation rates for December were below expectations, possibly inducing a rebound in consumer spending.

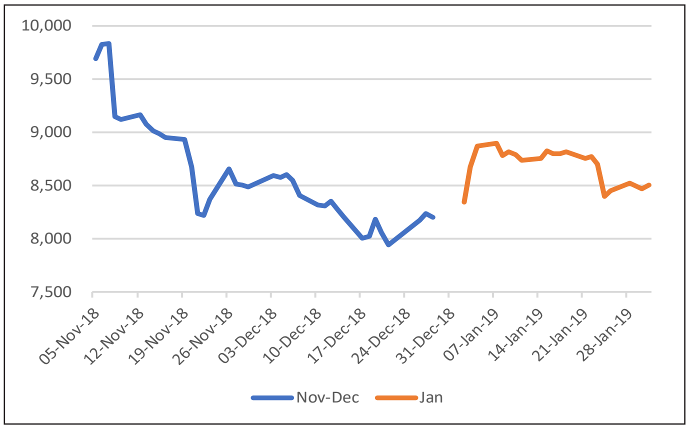
International Container Terminal Services, Inc. (ICT) posted strong growth of 8.2% as reports of a 20-year concession agreement to operate, manage, and develop Sudan's South Port Container Terminal circulated.

Puregold Price Club Inc. (PGOLD) showed the weakest growth among constituent stocks in the Services sector with a 5.8% increase in value, after the company conducted a P4.7 B top-up placement of 104 M common shares at P45/share which is equivalent to a 6.8% discount from its closing of P48.30 last January 16.

Company	Symbol	12/28/18 Close	31/01/19 Close	% Change
Semirara Mining and Power Corporation	SCC	23.05	23.70	2.8%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Mining Sector Index (Nov 2018- Jan 2019)



Source of Basic Data: PSE Quotation Reports

Priming the market, foreign funds came in once more as net buyers to the tune of P18.7 B in January.

Mining and Oil Sector: Slowed Down to 3.4% in Jan

Mining and Oil ended its slowdown in the previous months, accelerating to 3.7% in January from December's 3.4% decrease. The sector managed an uptick at the start of last month but was unable to sustain growth as index slipped by the end of January. Despite improvements in the sector, Semirara Mining and Power Corporation's (SCC) value continued to drop by 15% last month, primarily due to the price decline of coal in the global market amid weakening demand from China.

Total Turnover

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	25,786.16	37.4%	1,172.10	12.4%
Industrial	31,368.64	9.2%	1,425.85	-10.7%
Holdings	55,143.10	78.8%	2,506.50	46.3%
Property	37,823.26	57.1%	1,719.24	28.5%
Services	37,664.93	24.0%	1,712.04	1.5%
Mining and Oil	2,495.21	4.3%	113.42	-14.7%
Total	**190,281.30**	40.8%	**8,649.15**	15.2%
Foreign Buying	111,940.12	44.2%	5,088.19	17.9%
Foreign Selling	99,503.79	27.0%	4,522.90	3.9%
Net Buying (Selling)	18,670.67	-2,669.5%	848.67	-2,202.3%

Source of Basic Data: PSE Quotation Reports

Turnover: Surges by 40.8%, Foreigners Back

With the continuous upward trend in stock prices across all sectors, PSE regained its momentum in terms of value traded as evident in the 40.8% surge in total turnover as compared to December's 36.4% decline. Recovering from double-digit losses last December, trading in Financial, Services, Industrial, and Mining and Oil sectors expanded by 37.8%, 24%, 9.2%, and 4.3%, respectively. On the other hand, Holdings and Property sectors posted the biggest gains, with share trading rising by 78.8% and 57.1%, respectively. Meanwhile, Industrial and Mining and Oil sectors ended weaker for average daily turnover, albeit decelerating from last month's 61.6% and 55.2% declines, respectively.

Priming the market, foreign funds came in once more as net buyers to the tune of P18.7-B in January. Foreign investors seem to have the view that inflation may have peaked, after the sharp deceleration of CPI numbers in December. The net inflow from foreign investors represents a reversal from last December, when foreign selling outweighed foreign buying by P700-M.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2017		2018		3rd Quarter 2018			4th 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	739,029	4.0%	744,814	0.8%	164,136	-5.8%	-0.2%	222,235	35.4%	1.7%
Industry Sector	2,947,103	7.2%	3,148,000	6.8%	740,532	-7.6%	6.1%	866,361	17.0%	6.9%
Service Sector	4,979,575	6.8%	5,310,300	6.6%	1,314,844	-4.8%	6.8%	1,397,922	6.3%	6.3%
Expenditure										
Household Final Consumption	5,973,816	5.9%	6,306,064	5.6%	1,480,379	-4.9%	5.2%	1,791,824	21.0%	5.4%
Government Final Consumption	914,136	7.0%	1,031,487	12.8%	250,174	-18.8%	14.3%	236,548	-5.4%	11.9%
Capital Formation	2,504,502	9.4%	2,852,306	13.9%	711,066	2.7%	18.2%	744,773	4.7%	5.5%
Exports	4,930,584	19.5%	5,495,712	11.5%	1,567,740	10.3%	13.3%	1,247,357	-20.4%	13.2%
Imports	5,657,331	18.1%	6,476,519	14.5%	1,768,187	10.1%	17.9%	1,550,159	-12.3%	11.8%
GDP	8,665,708	6.7%	9,203,113	6.2%	2,219,512	-5.8%	6.0%	2,486,518	12.0%	6.1%
NPI	1,729,139	5.9%	1,793,182	3.7%	448,801	2.0%	4.8%	441,817	-1.6%	0.9%
GNI	10,394,846	6.6%	10,996,296	5.8%	2,668,313	-4.6%	5.8%	2,928,335	9.7%	5.2%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2016		2017		Oct-2018			Nov-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%	246,762	21.9%	20.3%	259,702	5.2%	6.7%
Tax	1,980,390	9.1%	2,250,678	13.6%	222,248	21.2%	19.2%	242,220	9.0%	6.1%
BIR	1,567,214	9.3%	1,772,321	13.1%	164,792	26.2%	15.6%	192,048	16.5%	7.1%
BoC	396,365	7.8%	458,184	15.6%	55,953	9.6%	30.4%	47,902	-14.4%	3.3%
Others	16,811	14.8%	20,173	20%	1,503	-16.4%	45.1%	2,270	51.0%	-10.4%
Non-Tax	215,446	-26.5%	222,415	3.2%	24,514	29.7%	32.0%	17,482	-28.7%	14.7%
Expenditures	2,549,336	14.3%	2,823,769	10.8%	306,627	2.7%	35.2%	298,820	-2.5%	18.5%
Allotment to LGUs	449,776	16.1%	530,150	17.9%	44,601	-6.8%	7.2%	44,059	-1.2%	5.3%
Interest Payments	304,454	-1.6%	310,541	2%	24,015	-26.5%	17.5%	24,660	2.7%	19.8%
Overall Surplus (or Deficit)	(353,422)	-190.4%	(350,637)	-0.8%	-59,865	-37.8%	174.6%	-39,118	-34.7%	353.6%

Source: Bureau of the Treasury (BTr)

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

	2017		Jun-2018			Jul-2018		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	41,605	5.1%	3,922.10	3.8%	6.9%	3,658.80	2.9%	6.3%
Residential	13,055	5%	1,290.60	2.7%	6.0%	1,126.10	-1.3%	4.9%
Commercial	16,378	4.7%	1,508.40	2.2%	5.5%	1,429.00	2.2%	5.1%
Industrial	11,861	4.4%	1,091.10	5.4%	6.5%	1,077.80	7.3%	6.6%

Source: Meralco

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

	2016		2017		2nd Quarter 2018		3rd Quarter 2018	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT								
Balance of Trade	-1,199	-116.5%	-2,163	80.4%	-3,241	-2167.2%	-2,907	-364.2%
Balance of Goods	35,549	52.5%	40,505	13.9%	12,901	41.5%	13,546	43.5%
Exports of Goods	42,734	-1.1%	51,865	21.4%	12,847	-1.7%	13,474	0.2%
Import of Goods	78,283	17.7%	92,370	18.0%	25,748	16.0%	27,020	18.1%
Balance of Services	-7,043	29.1%	-9,249	31.3%	-2,821	40.3%	-3,158	-5.5%
Exports of Services	31,204	7.4%	35,884	15.0%	9,427	9.9%	9,890	-0.4%
Import of Services	24,160	2.3%	26,635	10.2%	6,606	0.5%	6,732	2.3%
Current Transfers & Others		-						
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	62	-26.3%	57	-8.7%	-1	-107.5%	-3	-113.8%
Financial Account	175	-92.4%	-2,664	-1622.4%	-1,512	66.5%	-1,975	-247.9%
Direct Investments	-5,883	5803.4%	-6,545	11.3%	-2,704	57.7%	-1,300	39.8%
Portfolio Investments	1,480	-72.9%	2,509	69.5%	1,288	-673.4%	-447	-173.9%
Financial Derivatives	-32	-673.4%	-51	57.4%	16	-379.8%	33	-26.5%
Other Investments	4,610	-249.8%	1,423	-69.1%	-112	-110.8%	-262	-116.2%
III. NET UNCLASSIFIED ITEMS	274	-136.6%	-1,421	-618.9%	-300	-62.2%	-945	112.3%
OVERALL BOP POSITION	-1,038	-116.1%	-863	-16.9%	-2,030	-803.4%	-1,879	184.0%
Use of Fund Credits		-						
Short-Term		-						
Memo Items								
Change in Commercial Banks	1,421	-222.0%	410	-71.2%	-335	323.7%	395	-71.5%
Net Foreign Assets	1,381	-229.7%	443	-68.0%	-306	1910.3%	353	-74.1%
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)

	2017		Nov-2018		Dec-2018	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	2,798,988	14.0%	3,129,541	7.8%	3,338,027	6.4%
Sources:						
Net Foreign Asset of the BSP	4,024,544	2.3%	4,284,225	-3.2%	4,459,547	1.3%
Net Domestic Asset of the BSP	9,722,563	15.6%	11,742,474	14.6%	12,009,225	14.6%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3,562,223	17.1%	3,773,474	9.5%	3,887,379	9.5%
Money Supply-2	10,227,276	13.1%	10,772,993	8.2%	11,065,705	8.5%
Money Supply-3	10,655,369	13.2%	11,259,401	8.4%	11,612,149	9.2%
MONEY MULTIPLIER (M2/RM)	2.49		3.44		3.32	

Source: Bangko Sentral ng Pilipinas (BSP)

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