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Daily Markets Recap: October 18, 2018

CURRENCY MARKET

USD, EUR, JPY, GBP

The dollar rose against the euro after the European Commission said Italy's 2019 budget draft is in serious breach of EU budget rules.

- The dollar index was up 0.36% at 95.936
- Against the yen, the dollar fell 1.13% to 111.23 yen
- The euro tumbled 0.39% to \$1.1458
- Sterling was down 0.75% at \$1.3023

| | 18-Oct-18 | 17-Oct-18 |
|---------------------|-----------|-----------|
| Dollar Index | 95.9360 | 95.5920 |
| USD/JPY | 111.2300 | 112.5000 |
| EUR/USD | 1.1458 | 1.1503 |
| GBP/USD | 1.3023 | 1.3121 |

PHP

The peso closed at P53.965 per dollar, lower than its previous close at P54.210.

| | 18-Oct-18 | 17-Oct-18 |
|--------------------|-----------|-----------|
| Open | 53.9800 | 53.8700 |
| High | 54.0450 | 53.9500 |
| Low | 53.9400 | 53.8900 |
| Close | 53.9650 | 54.2100 |
| Vol (\$Mio) | 729.25 | 872.95 |

LOCAL MARKET UPDATE

LTFRB OK's Bus, Jeepney Fare Hikes

The Land Transportation Franchising and Regulatory Board (LTFRB) on Thursday approved fare increases for public utility vehicles (PUV), prompting the country's biggest labor group to press for a wage hike for Metro Manila's private sector workers at a time of successive multiyear-high monthly inflation rates. In its decision, the LTFRB adjusted the minimum jeepney fare in the National Capital Region (NCR or Metro Manila), Central Luzon and southern Luzon to P10 from the current P9, which had incorporated a P1 provisional increase implemented in July. In a separate decision, the regulator also approved provisional increases for buses plying Metro Manila roads to P11 from P10 for ordinary trips and to P13 from P12 for air-conditioned trips.

PHL Banks On Solid Ground — S&P

Philippine Banks will remain stable despite a weakening peso and global market volatility, S&P Global Ratings said, even as it noted that economic growth will be slower than initially expected over the next two years. S&P said most Southeast Asian markets are unlikely to be hit hard by rising global economic risks, as reflected by volatile stock markets, skittish bond markets and depreciating currencies.

LOCAL STOCK MARKET

The bellwether Philippine Stock Exchange index (PSEi) inched up 0.58% or 41.57 points to 7,141.25. The broader all-shares index also climbed 0.46% or 20.12 points to 4,632.40.

LOCAL ECONOMIC RELEASES

| Date | Event | Period | Previous | Survey | Actual |
|-----------|--------------------|--------|----------|--------|--------|
| 19-Oct-18 | BoP Overall | Sep | \$1272 | -- | -- |
| 22-Oct-18 | Budget Balance PHP | Sep | -2.6b | -- | -- |

FOREIGN MARKET UPDATE

U.S. Weekly Jobless Claims Data Bolsters Labor Market Outlook

New applications for U.S. unemployment benefits dropped last week and the number of Americans on jobless rolls fell back to levels last seen in 1973, suggesting a further tightening in labor market conditions. Initial claims for state unemployment benefits decreased 5,000 to a seasonally adjusted 210,000 for the week ended Oct. 13, the Labor Department said. Claims fell to 202,000 during the week ended Sept. 15, which was the lowest level since November 1969. The four-week moving average of initial claims rose 2,000 to 211,750 last week. The report also showed the number of people receiving benefits after an initial week of aid fell 13,000 to 1.64 million for the week ended Oct. 6, the lowest level since August 1973.

Italy Defends Budget As EU Warns Of "Unprecedented" Rules Breach

Italy's Prime Minister defended its free-spending budget, brushing off criticism from Brussels as the European Commission stepped up pressure over a draft it labelled an unprecedented breach of EU fiscal rules. In the first formal step of a procedure that could lead to Brussels rejecting the budget and to fines against Italy, the Commission sent Rome a warning letter. The document said the budget appeared to be in "particularly serious non-compliance" with EU rules and gave Rome until Oct. 22 to respond. Conte said Italy was ready to reply to the commission's concerns but he was not worried by the letter. If it is not amended, the Commission could reject the draft by Oct. 29 in what would be an unprecedented move that could further rattle financial markets.

U.S. TREASURIES

Benchmark Treasury yields were steady after an initial rise faded as more than 1 percent drops in major U.S. stock indexes accelerated on rate-hike worries and disappointing earnings from several industrial companies.

- Benchmark 10-year notes edged down 1/32 to yield 3.19%
- 30-year bonds fell 11/32, yielding 3.37%
- 2-year notes edged up 1/32 to yield 2.87%

U.S. STOCK MARKET

Stocks fell more than 1 percent as the European Commission issued a warning regarding Italy's budget and concerns mounted over the possibility of strained relations between the United States and Saudi Arabia, denting investors' appetite for risk. Lockheed Martin Corp and Raytheon Co fell 1.62% and 0.76% respectively on concerns that U.S. lawmakers may block arms deals with Saudi Arabia. Tectra and United Rentals tumbled 11.25% and 15.04% respectively on raised concerns about the impact of tariffs, climbing borrowing costs and rising wages on corporate profits.

- The Dow fell 327.23 points, or 1.27%, to 25,379.45
- The S&P 500 lost 38.32 points, or 1.36%, to 2,770.89
- The Nasdaq dropped 154.18 points, or 2.02%, to 7,488.52

COMMODITIES

Oil fell as investors' concerns returned to the impact an escalating trade row between China and the United States will have on oil demand growth and data showing ample supplies.

- U.S. crude was down 1.43% at \$68.75 per barrel
- Brent fell 0.87% to \$79.35 per barrel
- Gold rose 0.26% to \$1225.48 an ounce

U.S. ECONOMIC RELEASES

| Date | Event | Period | Previous | Survey | Actual |
|-----------|------------------------|--------|----------|--------|--------|
| 18-Oct-18 | Initial Jobless Claims | Oct 13 | 215k | 211k | 210k |
| 18-Oct-18 | Continuing Claims | Oct 6 | 1653k | 1663k | 1640k |
| 18-Oct-18 | Leading Index | Sep | 0.4% | 0.5% | 0.5% |

SOURCES: REUTERS, ABS-CBN NEWS, BLOOMBERG, BUSINESS WORLD, BUSINESS MIRROR, INQUIRER, PHILIPPINE STATISTICS AUTHORITY, PHILSTAR