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Daily Markets Recap: October 24, 2018

CURRENCY MARKET

USD, EUR, JPY, GBP

The dollar rose as stocks fell and after European data signaled that economic growth could be flagging across the euro zone, denting the euro.

- The dollar index was up 0.45% at 96.357
- Against the yen, the dollar fell 0.24% to 112.11 yen
- The euro was down 0.65% at \$1.1397
- Sterling dropped 0.77% to \$1.2886

	24-Oct-18	23-Oct-18
Dollar Index	96.3570	95.9290
USD/JPY	112.1100	112.3800
EUR/USD	1.1397	1.1471
GBP/USD	1.2886	1.2986

PHP

The peso closed at P53.725 per dollar, lower than its previous close at P53.815.

	24-Oct-18	23-Oct-18
Open	53.7800	53.8800
High	53.7900	53.9200
Low	53.6900	53.7950
Close	53.7250	53.8150
Vol (\$Mio)	707.05	711.90

LOCAL MARKET UPDATE

Rice Imports PHL’s Strongest Bet For Taming Inflation — BSP

The central bank expects the proposed rice tariffication law to help bring inflation back to within its preferred range, while projecting the inflation-dampening impact of suspending fuel tax hikes at only fraction of a percentage point. The Bangko Sentral ng Pilipinas (BSP) said on Wednesday at a Senate hearing that the suspension of the P2 per liter fuel excise tax scheduled for 2019 will shave an estimated 0.2 percentage point off the full-year inflation rate, a reduction that could still be wiped out should global crude prices rise further. By way of contrast, more liberal rice imports being contemplated under the proposed rice tariffication law have the potential to bring inflation back to the bank’s 2-4% target range, after the indicator hit a nine-year high of 6.7% in September, bringing the year to date average to 5%.

Employers Warn Of Wage Increase Repercussions

Employers’ groups argued before Metro Manila’s wage board in consultations on Wednesday that the hefty increase in daily minimum pay for private sector workers sought by labor groups would hit businesses — especially micro, small- and medium-scale enterprises — hard and will likely cause inflation to spike further. The National Capital Region Regional Tripartite Wages and Productivity Board held its consultation with the management sector on Wednesday, following the one with labor groups on Monday and ahead of tomorrow’s public hearing for all affected sectors. Representatives of almost 50 business groups and companies participated in the consultation.

LOCAL STOCK MARKET

The bellwether Philippine Stock Exchange index (PSEi) gave up 0.94% or 68.20 points to close at 7,129.42 yesterday, extending the previous session’s decline. The broader all-shares index shed 0.49% or 21.53 points to 4,362.31.

LOCAL ECONOMIC RELEASES

Date	Event	Period	Previous	Survey	Actual
22-Oct-18	Budget Balance PHP	Sep	-2.6b	--	-96.2

FOREIGN MARKET UPDATE

U.S. New Home Sales Near Two-Year Low As Mortgages Rates Rise

Sales of new U.S. single-family homes fell to a near two-year low in September and data for the prior three months was revised lower, the latest indications that rising mortgage rates and higher prices were sapping demand for housing. The Commerce Department said new home sales dropped 5.5 percent to a seasonally adjusted annual rate of 553,000 units last month. August’s sales pace was revised down to 585,000 units from the previously reported 629,000 units. In a separate report, the Federal Housing Finance Agency said its home price index rose 6.1 percent in the year to August.

Euro Zone Businesses Hit The Brakes As Trade War Stalls Growth

Euro zone business growth slowed much faster than expected this month, dragged down by waning orders that put a big dent in confidence, adding to evidence the bloc’s halcyon days are behind it for now, a survey showed. ECB policymakers have slowly trimmed asset purchases, hoping they have done enough to bolster growth and inflation and are expected to hold policy steady on Thursday - despite evidence euro zone growth momentum peaked some time ago. IHS Markit said if the survey levels were maintained, they pointed to fourth quarter growth of 0.3 percent. IHS Markit’s Flash Composite Purchasing Managers’ Index for the euro zone tumbled to a 25-month low of 52.7 from a final September reading of 54.1, significantly below the median expectation in a Reuters poll for a modest dip to 53.9.

U.S. TREASURIES

Benchmark Treasury yields fell to three-week lows, weighed down by weakness in stocks and ongoing political uncertainty ahead of the U.S. congressional elections. The Treasury Department sold \$39 billion in 5-year notes at a high yield of 2.977%.

- Benchmark 10-year notes rose 16/32 to yield 3.11%
- 30-year bonds were up 17/32, yielding 3.33%
- 2-year notes gained 3/32, to yield 2.84%

U.S. STOCK MARKET

Stocks tumbled again, confirming a correction for the Nasdaq and erasing the Dow and S&P 500’s gains for the year, as disappointing forecasts from chipmakers and weak home sales data fueled worries about economic and profit growth. Texas Instruments dropped 8.22% and STMicroelectronics tumbled 13.79%. Boeing was up 1.31%.

- The Dow fell 608.15 points, or 2.41%, to 24,583.28
- The S&P 500 lost 84.53 points, or 3.08%, to 2,656.16
- The Nasdaq dropped 329.14 points, or 4.43%, to 7,108.40

COMMODITIES

Oil fell despite a much bigger-than-expected drawdown in U.S. gasoline and diesel inventories as traders remained concerned about worldwide demand amid a weaker economic outlook. The U.S. Energy Department said gasoline stocks fell 4.8 million barrels to 229.3 million barrels last week, the lowest since December 2017. Distillates, which include diesel, were down 2.3 million barrels, both more than forecast. The EIA data also showed U.S. crude inventories rose 6.3 million barrels, much more than the 3.7 million-barrel increase expected in a Reuters poll

- U.S. crude was down 0.26% at at \$66.26 a barrel
- Brent fell 1.20% at \$75.52 a barrel
- Gold rose 0.20% to \$1232.61 an ounce

U.S. ECONOMIC RELEASES

Date	Event	Period	Previous	Survey	Actual
24-Oct-18	MBA Mortgage Applications	Oct. 19	-7.1%	--	4.9%
24-Oct-18	FHFA House Price Index MoM	Aug	0.4%	0.3%	0.3%
24-Oct-18	Markit US Manufacturing PMI	Oct P	55.6	55.3	55.9

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

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