

Rumored RTB Sidelines Market

Primary Indicators

	Period	Latest Period	Preceding Period
I. Real Economy (Growth, %)			
A. GDP	4Q2018	6.3	6.3
B. Manufacturing (VoPi)	Feb '18	24.8	18.5
II. Monetary and Banking			
A. Outstanding Loans, net of RRP (Php Bn), UKBs	Feb '18	7,806	7,827
Y-O-Y Growth (%)	Feb '18	16.9%	18.3%
B. NPL to Total Loans	Feb '18	1.36	1.30
C. M3 Growth (Y-O-Y)	Nov '18	8.4%	8.3%
III. Prices			
A. PHP/\$ (PDS data)	2W Feb '19	52.433	52.230
B. 91-Day Rate (%)	2W Feb '19	5.733%	5.484%
C. 10-Yr Rate (%)	2W Feb '19	6.310%	6.256%
D. Inflation (%)	Jan '19	4.4	5.1
YTD (%)		4.4	5.2
E. RRP	Dec '18	4.750	4.500
F. 7-/14-/21-day TDF	Sept'18	4.727%/4.773%/4.855%	
IV. External Accounts			
A. Balance of Payments (\$ m)	Sept '18	-1,879	-2,931
YTD (\$ m)		-5,136	-3,087
i. Current Account (\$ b)	9M18	-2,907	-3,087
% of GDP		-3.7%	-1.9%
ii. Capital Account (\$ m)	9M18	-3	-1
% of GDP		-0.00%	-0.00%
iii. Financial Account (\$ m)	9M18	-1,975	-720
% of GDP		-1.2%	-0.44%
B. Net Foreign Portfolio Inv (\$ m)	Nov '18	832	-67.8
YTD(\$ m)		925.9	93.9
C. OFW Personal Remittances	Dec' 18	3,157	2,586
YTD(\$ b)/YoY(%)		32.2/3.0%	29.0/2.9%
D. Gross Intl Reserves (\$ b)	Oct '18	77.8	77.8
YoY Growth		(7.0%)	(4.8%)
E. Import Cover (x)	Aug '18	7.5	7.4
F. ST External Debt cover (x)	Aug '18	619.9	611.1
G. Exports Growth (% YoY)	June'17	0.8%	13.7%
YTD(\$ b)/YoY growth		31.0/13.6%	26.1/16.3%
H. Trade Surplus (Deficit) (\$ b)	July '17	-14.7%	-12.9%
V. NG Cash Operations			
A. Surplus (Deficit) (Php b)	June '17	(90.87)	(33.42)

Outlook. Market is jittery of looming debt supply and looks upward bound. Around Php70bn worth of debt papers will mature on February 19, fueling speculation about an RTB float and just how much short of cash is government. The Bangko Sentral (BSP) also did not signal any rate cut or reserve requirement cut soon, which led to the slight upward correction of bond yields. We expect yields to continue to have an upward bias this week.

On the data front, personal remittances growth proved it's slowing, 3.0% for the whole year of 2018 from 4.3% in 2017.

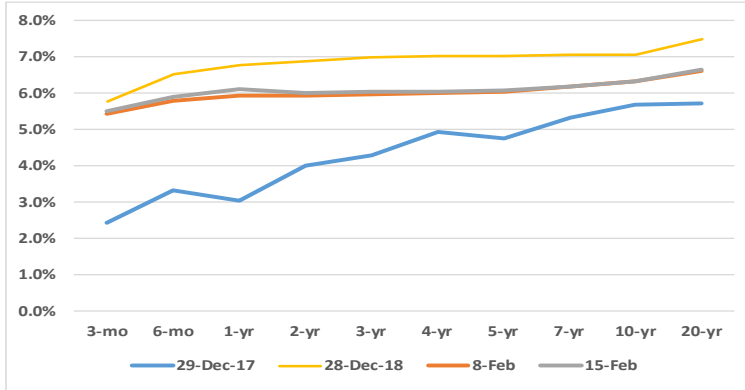
Market review. The local benchmark yield curve was down by 5.5bps on average week-on-week (WoW) amid the aforementioned speculation of RTB issuance. The spread between the local 10-yr local benchmark and the 10-yr US Treasury (UST) slightly narrowed to 365bps from 370bps in the week prior as the former fell by 1.5bps to 6.31% while the latter was up by 3bps to 2.66%. Year-to-date, the yield curve was down by an average of 78bps while the 10-yr was down by 75bps. Yields of ROPs were down by 2bps on average bucking US Treasuries which rose by 3bps on average.

Average total daily down by 25.7% week-on-week (WoW) to Php12.0bn. The liquid yield curve rose by an average of 5.5bps WoW as the front-end (364-day T-bill) rose by 18bps to 6.12%, the belly (FXTN 10-63: 9.5yrs) down by 1.5bps to 6.31%, while the tail (R25-01: 20.5yr) was flat at 6.71%. Secondary trading average volume fell by 25.7% to Php12.0bn as T-bond trading shed 40% to Php7.8bn while T-bill trading rose by 64% to Php4.1bn. In anticipation of the rumored RTB issuance, traders played it safe at the short end. The Bureau of the Treasury's (BTr) latest Php20bn auction of newly-issued 7-yr T-bonds was fully awarded amid strong demand (3.35x oversubscription). The coupon was set at 6.250%, almost a full percentage lower than the previous reissuance which fetched an average rate of 7.09%. Lastly, results of the latest Php15bn were mixed; the 91-day and 364-day T-bills were partially awarded at 5.733% and 6.052%, respectively, 18bps and 2bps higher than the previous auction, while the 182-day was fully awarded at 5.978%, 4 bps higher than the previous auction. The auction was almost 1.5x oversubscribed but raised only Php15.6bn of the Php20bn offered.

Emerging Markets' (EM) 10-year up 1bp (WoW). Yields of EM bonds we follow were flat, just up by 1bp on average WoW on trade agreement optimism. Brazil (10-year yield -4bps), Turkey (-3bps), and the Philippines (-2bps) outperformed, while Indonesia (10-year yield +6bps), Colombia (+3bps), and Peru (+2bps) underperformed.

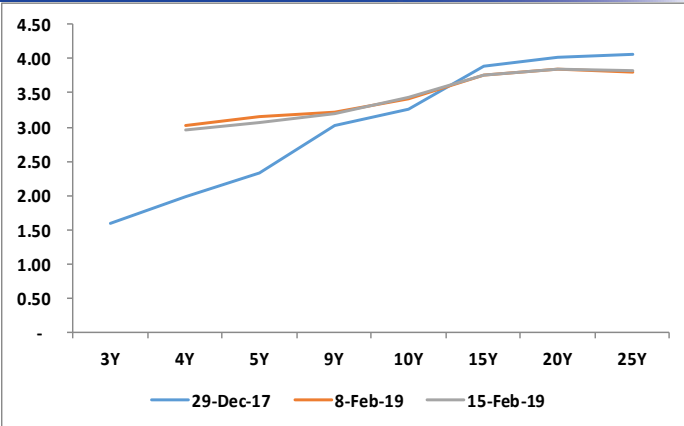
USTs up 3bps WoW. US Treasuries were up by 3bps WoW on average as the 10-yr UST likewise rose by 3bps to 2.66% on optimism that the US and China will reach an agreement before the March 1 deadline, when the 91-day tariff truce between the two countries expire, or even Trump extending the deadline. According to a Reuters report, China offered to boost its purchases of US semiconductors in exchange for lower tariffs. US retail sales last December dipped by 1.2% from November, the biggest drop since September 2009 and lower than consensus expectation of no growth, despite the seasonally strong holidays. Total retail sales rose by 5% in 2018. January consumer price index (CPI) was unchanged from December and rose by 1.6% in the past 12 months from 1.9% in December and versus 1.5% expected, short of the 2.0% target. Core CPI rose by 0.2% MoM and 2.2% in the past 12 months.

Average YTD and WoW changes of the Philippine PhP Yield Curve, BVAL



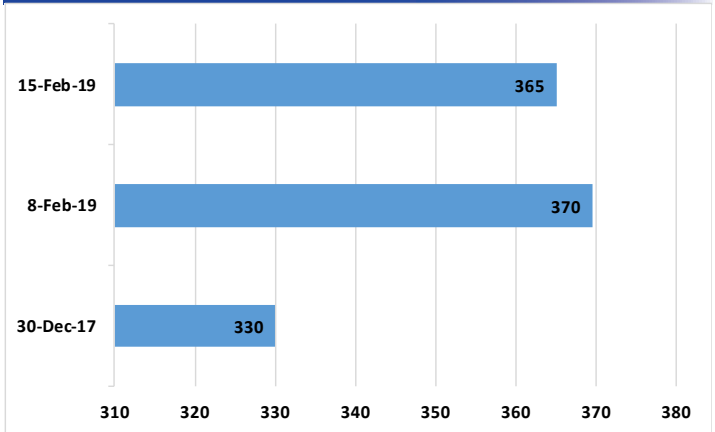
Source: Bloomberg

Average YTD and WoW changes of the USD Philippine Sovereign Curve



Source: Bloomberg

PH and US Treasury 10-Yr Spread (bps)



Source: Bloomberg