

April 8-12, 2019

## Oil Continues Its Rise

### Primary Indicators

	Period	Latest Period	Preceding Period
<b>I. Real Economy (Growth, %)</b>			
A. GDP	4Q2018	6.3	6.3
B. Manufacturing (VoPi)	Feb '18	24.8	18.5
<b>II. Monetary and Banking</b>			
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%
<b>III. Prices</b>			
A. PHP/\$ (PDS data)	1W Apr '19	52.120	52.510
B. 91-Day Rate (%)	1W Apr '19	5.612%	5.760%
C. 10-Yr Rate (%)	1W Apr '19	5.870%	5.610%
D. Inflation (%)	Mar '19	3.3	3.8
YTD (%)		3.8	4.1
E. RRP	Dec '18	4.750	4.500
F. 7-/14-/21-day TDF	1W Apr '19	4.8943%/4.9148%/5.0987%	
<b>IV. External Accounts</b>			
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%
<b>V. NG Cash Operations</b>			
A. Surplus (Deficit) (Php b)	June '17	(90.87)	(33.42)

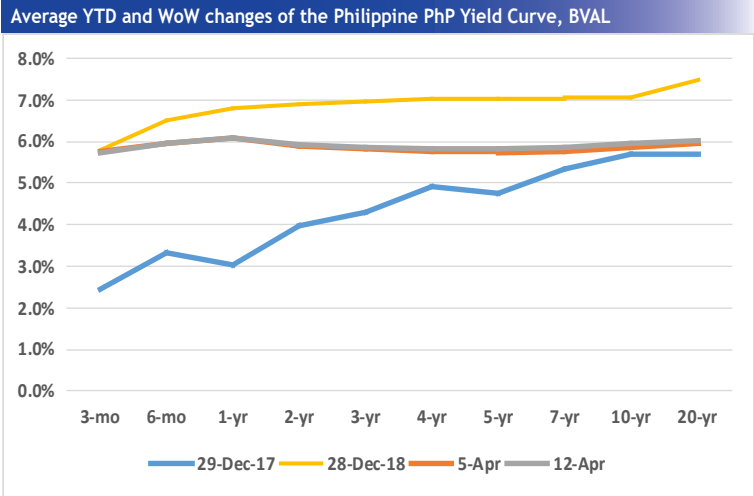
**Outlook.** Rising global oil prices due to output cuts led by the OPEC drove global bond and local bond yields higher last week. OPEC's enacted output cut of 1.2mn barrels per day last January for six months which may need to be extended until the end of the year, US sanctions on Iran and Venezuela, and renewed fighting in Libya have driven oil prices by 40% (Brent: \$71.1/bbl) since its low late last year. Local gasoline stations are already warning of another price hike on April 16 of around Php1/liter for gasoline and Php0.75/liter for diesel or around a 2% increase for both. This will be the second consecutive week of increase and will bring the net increase this year to Php7.95/liter for gasoline and Php5.40/liter for diesel or around 20% year-to-date (YTD). This could present upward pressure on inflation and put the expected RRR and policy rate cut in May on jeopardy. BSP governor Diokno said last week that a policy cut is on the table for the monetary board's meeting this May and that it is not a matter of "if" but "when".

**Market review.** The local benchmark yield curve rose by 5bps on average week-on-week (WoW) as the yield curve continued its upward correction. The spread between the local 10-yr local benchmark and the 10-yr US Treasury (UST) widened to 340bps from 337bps in the week prior as the former rose by 8.5bps WoW to 5.96%, while the latter likewise rose by 6bps to 2.56%. Year-to-date, the local yield curve was down by an average of 99bps while the 10-yr was down by 111bps. Yields of ROPs were flat on average while US Treasuries rose by 4bps on average.

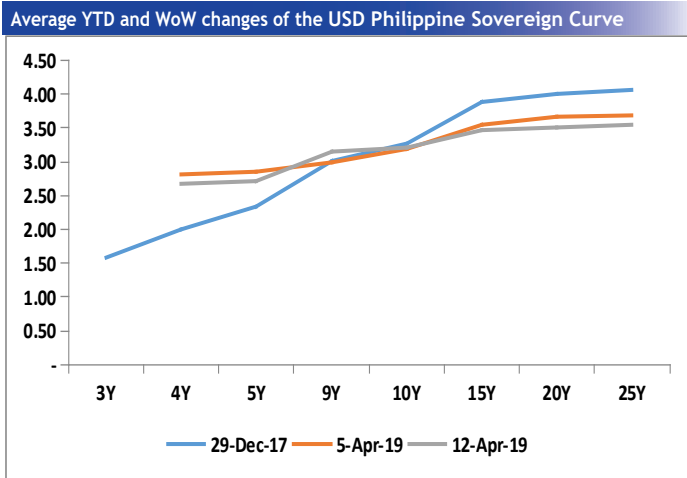
**Average total daily volume down 25% week-on-week (WoW) to Php11.8bn.** The liquid yield curve rose an average of 5.1bps WoW as the front-end (364-day T-bill) was flat at 6.09%, the belly (FXTN 10-63: 9.5yrs) rose by 9bps 5.96%, while the tail (R25-01: 20.5yr) was up by 6.5bps to 6.03%. Secondary trading average volume fell by 25% to Php11.8bn as the 44% drop in T-bond trading volume to Php7.6bn offset the doubling of T-bill volume to Php4.2bn. In the face of rising oil prices, the market got defensive. The Bureau of the Treasury's (BTr) fully awarded its Php20bn auction of re-issued 10-yr T-bonds. The auction fetched an average rate of 5.954%, slightly higher than the prevailing secondary market rate of 5.87% but within the expected rate of 5.8%-6.0% of the market. The auction was 2.3x oversubscribed. Lastly, the latest Php20bn T-bill auction was only partially awarded, with accepted rates for the 91-day and 182-day averaging 5.614% and 5.987%, respectively, 0.2bps and 0.5bps higher than the previous auction while bids for the 364-day paper were all rejected.

**Emerging Markets' (EM) 10-year dow by 4bps (WoW).** Yields of EM bonds we follow down by 4bps on average as oil prices continued its uptrend. Chile (10-year yield -9bps), Israel (-9bps), and Pakistan (-9bps) outperformed last week, while Turkey (10-year yield +21bps), Hungary (+20bps), and Indonesia (+11bps) underperformed.

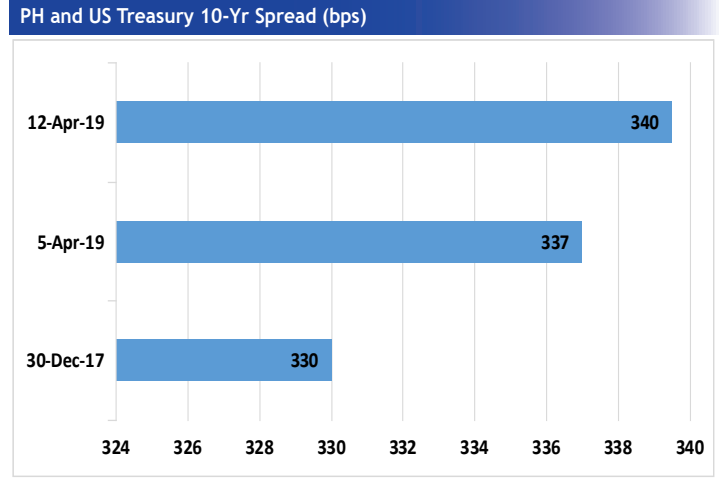
**USTs up 4bps WoW.** US Treasuries were up by 4bps WoW on average as the 10-yr UST likewise rose by 6bps to 2.56%, fuelled by US-China trade deal optimism but global growth concerns still loom. The International Monetary Fund cut its global growth forecast to 3.3% from its 3.5% forecast in January and its third cut in the last six months as downside risks remain prevalent globally. On the other hand, the US consumer price index (CPI) rose broadly in line with expectations last March, up 1.9% YoY from 1.8% forecasted. More importantly, core inflation -- a key consideration for the Fed -- was only up by 2.0% YoY, slower than the expected 2.1% rise. Lastly, weekly jobless claims fell to 196,000, the lowest level since 1969 and lower than the 210,000 expected. Labor market strength should temper fears of an economic slowdown, but the Fed noted on its latest minutes that the tight labor market has failed to feed through into higher inflation.



Source: Bloomberg



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