

Yields Rise Ahead of Panda Bonds

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)	3W Apr '19	51.775	51.770
B. 91-Day Rate (%)	3W Apr '19	5.608%	5.610%
C. 10-Yr Rate (%)	3W Apr '19	6.070%	5.960%
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%	
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. The market is anticipating the issuance of \$200-\$500mn panda bonds towards the end of this month, which explains the slight uptick in yields last week. Recall that \$230mn worth of panda bonds were also issued in March last year. The government is looking at tenors of three to five years as yields followed inflation downtrend in the past few weeks. The Bangko Sentral (BSP) is widely expected to ease monetary policy during its next meeting in May if inflation continues its downtrend. BSP governor Diokno already indicated that easing is just a matter of time. Global crude oil prices which are currently at their 5-month highs could present upward pressure on inflation and put the expected RRR and policy rate cut in jeopardy.

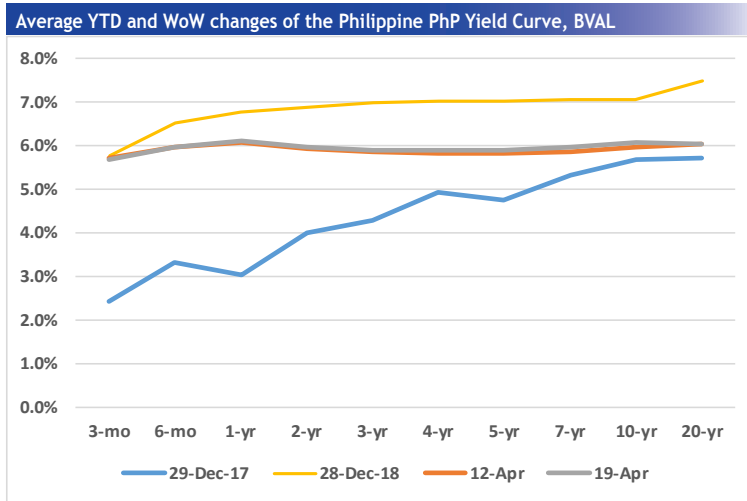
In the US, recent upbeat economic data are keeping yields afloat while analyst forecasts for the its first quarter GDP have steadily climbed from 1.9% in March to 2.2%-2.6% recently as its trade gap unexpectedly narrowed to its 8-month low last February (to \$49.4bn from \$51.1bn in January and versus the rise to \$53.4bn expected).

Market review. The local benchmark yield curve rose by 4bps on average week-on-week (WoW) during a shortened workweek. The spread between the local 10-yr local benchmark and the 10-yr US Treasury (UST) widened to 350bps from 340bps in the week prior as the former rose to 6.07%, 11bps higher WoW, while the latter was flat at 2.57%. Year-to-date, the local yield curve was down by an average of 95bps while the 10-yr was down by 100bps. Yields of ROPs were up by 4bps on average while US Treasuries were flat on average.

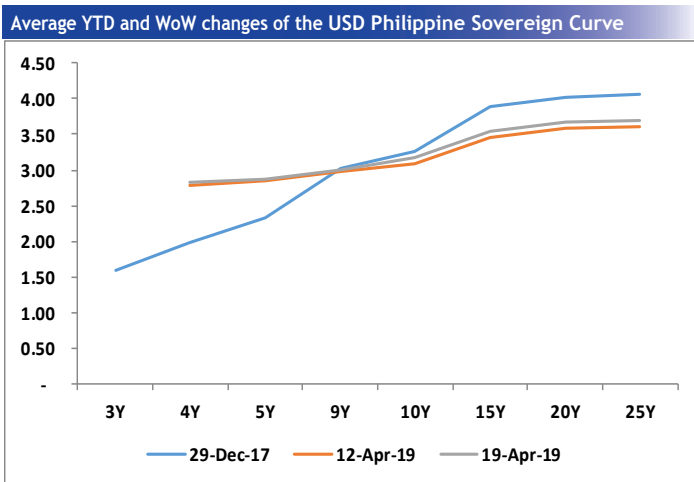
Average total daily volume up 2% week-on-week (WoW) to Php12bn. The liquid yield curve rose by an average of 4bps WoW as the front-end (364-day T-bill) increased by 2bps to 6.10%, the belly (FXTN 10-63: 9.5yrs) rose by 11bps to 6.07%, while the tail (R25-01: 20.5yr) was up by 2.6bps to 6.07%. Secondary trading average volume was flattish at Php12bn, up by just 2.0%, amid a shortened workweek. T-bill trading volume rose by 25.8% to Php5.3bn while T-bond volume fell by 12% to Php6.7bn. 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 at average rates of 5.608% and 5.996%, respectively, for the 91-day and 182-day T-bills, -0.2bps/+2bps lower/higher than the previous auction and was 1.8x oversubscribed. Tenders for the 364-day were completely rejected.

Emerging Markets' (EM) 10-year flat, up by 1bp (WoW). Yields of EM bonds we follow were up by 3bps on average as oil prices reached its 5-month high. Turkey (10-year yield -17bps), South Africa (-7bps), and Brazil (-7bps) outperformed last week, while Argentina (10-year yield +12bps), the Philippines (+11bps), and Israel (+2bps) underperformed.

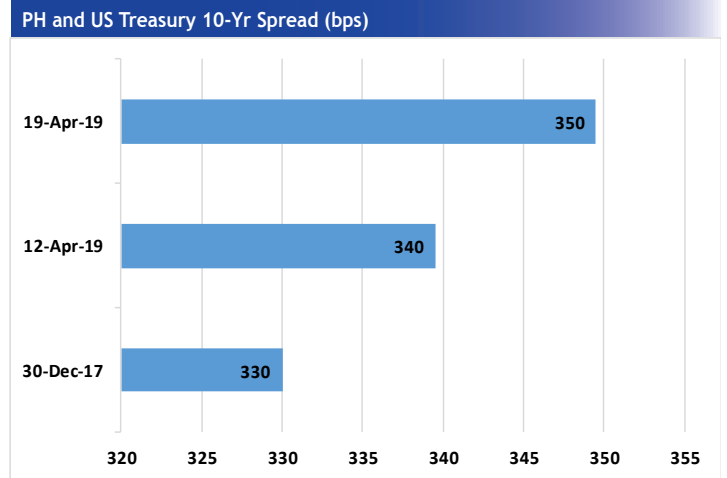
USTs flat WoW. US Treasuries were flat WoW on average as the 10-yr UST was up slightly by just 1bp to 2.57% ahead of the US GDP release this Friday and the recent upbeat economic data. Jobless claims fell to a 50-yr low of 192,000 in the second week of April, while US retail sales rose by 1.6% in March from a 0.2% decline in February. This was its fastest pace since September 2017. There were also 196,000 new jobs in March from February's upwardly revised 33,000 (from 20,000) and beat expectations of 170,000. Hourly wages grew by 3.2%, down slightly from 3.4% in February. First quarter US GDP will be released this Friday (Saturday, PH time), and is expected by analysts to grow by 2.2%-2.6%, while the Council of Economic Advisors and the Atlanta Fed expects it to hit 2.6% and 3%, respectively.



Source: Bloomberg



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