

Wednesday, May 07, 2008

# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark		PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	5/6/2008	5/5/2008	As of	5/7/08	10:39 AM
91D	3.673	3.672	0.960	05/06/08	3MO	Open	42.300	42.370	\$/CURR	BID	OFFER
182D	4.675	4.659	2.000	05/06/08	6MO	High	42.330	42.390	JPY	104.840	104.840
364D	5.993	5.705	3.150	05/06/08	1YR	Low	42.240	42.230	IDR	9228	9230
						Close	42.280	42.230	SGD	1.358	1.358
						Ave.	42.281	42.332	TWD	30.475	30.478
						Vol.	443.340	445.310	THB	31.700	31.810
									HKD	7.794	7.794

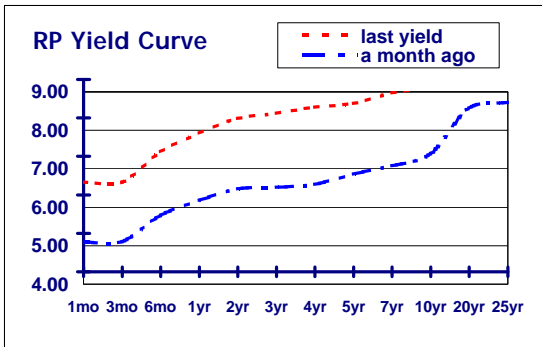
  

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	05/06/08	2YR	6.481%
5YR	8.750	6.625	7.000	05/06/08	5YR	6.859%
7YR	6.500	6.500	7.500	05/06/08	7YR	7.079%
10YR	7.750	5.875	7.500	05/06/08	10YR	7.394%
20YR	8.625	8.000	7.000	05/06/08	20YR	8.577%
25YR	8.500	9.375	7.000	05/06/08	25YR	8.725%

## INTEREST RATES UPDATE

### Philippine Government Securities

GS yields traded 30-50 bps higher across the curve as Philippine CP rose to 8.3% in April from a market expectation of 6.8%-7.0%. The 2 years traded 30 bps higher at 7.6%. The 3 years closed at 7.75 which is 25 bps higher than previous close. The 4 years was 40 bps higher at 8.0% and the 5 years closed 50 bps higher at 8.1%. Lastly the 9 years traded at 8.5% which is 50 bps higher than previous close. With inflation not reaching its peak for the year we could see the rates to still rise in the coming weeks.



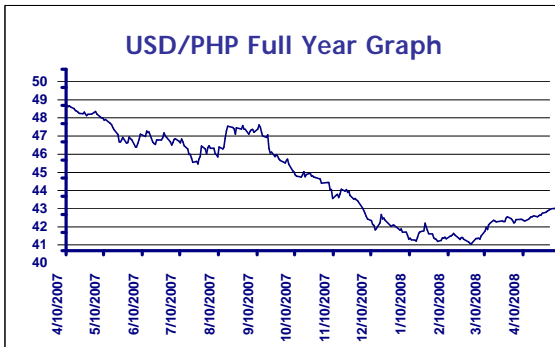
### Philippine Sovereign USD Bonds

ROP prices were lower by quarter of a point after the higher than expected Philippine inflation data and lower INDON sovereign bonds. Prices were given in ROP 30 at 131.375 (6.73%), ROP 31 at 112.50 (6.67%) and ROP 32 at 97.50 (6.58%). The US Treasury yield curve steepened towards this week's 10 year and 30 year auctions. Fannie Mae reported a wider loss of \$2.2 billion and despite of this the government will reduce restrictions to allow the company to buy and guarantee more mortgages. We expect ROP prices to be rangebound with a downward bias.

## CURRENCIES UPDATE

### USD/PHP

The dollar rebounded yesterday, closing at 42.28 vs. 42.23 previously. Higher-than-expected April inflation (8.3% vs. 6.4% previous vs. 7.0% expected) saw the market cover short dollar positions. However, selling interest from offshore players (in line with bearish regional trend of greenback) kept the dollar in check. Fears of BSP dollar offers also tamed dollar bulls. Still, with inflation worries fanning growth concerns, expect the dollar to be bid up today, with 42.35 looming as initial target. Expected range: 42.25 - 42.40.



### Major Currencies

US dollar continued to pare gains against major currencies on a light data week for the US market. Market most likely taking profit from last weeks dollar strength as most traders still waiting for further clues on where the US dollar is really heading. Currencies are expected to trade within a tight range before ECB and BOE on Thursday.

NY Range:

EURUSD 1.5522-1.5595  
 USDJPY 104.02-104.87  
 GBPUSD 1.9709-1.9774  
 EURJPY 162.00-162.77



## TREASURY DIRECTORY

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## TERM OF THE DAY

**Industrial Production Index** - The measure of the output of the "goods" production sectors : manufacturing, mining and utilities (electric and natural gas). The output is expressed as an index compiled by the Federal Reserve. Industrial production directly reflects output and so is a key measure of economic activity. Consequently, increases in production represent a strengthening of economic activity and impart upward pressure on interest rates. The Fed is especially sensitive to industrial production in its regulation of monetary policy to economic activity.

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