

Thursday, May 08, 2008

# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark			PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	5/7/2008	5/6/2008	As of	5/8/08	10:44 AM	
91D	3.673	3.672	0.960	05/07/08	3MO	Open	42.310	42.300	\$/CURR	BID	OFFER	
182D	4.675	4.659	2.000	05/07/08	6MO	High	42.450	42.330	JPY	104.190	104.200	
364D	5.993	5.705	3.150	05/07/08	1YR	Low	42.310	42.240	IDR	9260	9265	
						Close	42.440	42.280	SGD	1.373	1.373	
						Ave.	42.387	42.281	TWD	30.690	30.701	
						Vol.	876.570	443.340	THB	31.830	31.860	
									HKD	7.795	7.796	

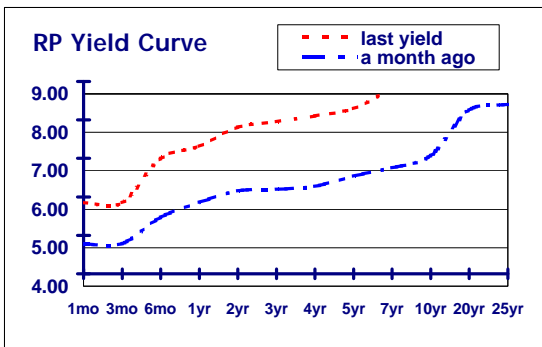
  

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	05/07/08	2YR	6.481%
5YR	8.750	6.625	7.000	05/07/08	5YR	6.859%
7YR	6.500	6.500	7.500	05/07/08	7YR	7.079%
10YR	7.750	5.875	7.500	05/07/08	10YR	7.394%
20YR	8.625	8.000	7.000	05/07/08	20YR	8.577%
25YR	8.500	9.375	7.000	05/07/08	25YR	8.725%

## INTEREST RATES UPDATE

### Philippine Government Securities

GS yields traded higher again yesterday by 15-20 bps across the curve as the market remained bearish still on inflation concerns. The 2 years traded 15 bps higher at 7.75%. The 3, 4 and 5 years all traded 20 bps higher at 8.025%, 8.225% and 8.300% respectively. Market could see more selling interest as inflation continues to linger.



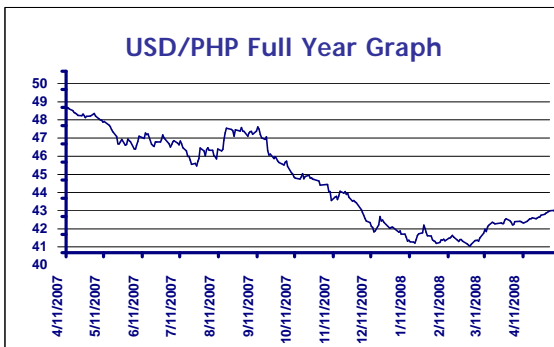
### Philippine Sovereign USD Bonds

Philippine sovereign dollar bond prices traded flat tracking other emerging market bonds. Brazil sold \$500 million of its 2017 dollar-denominated global bonds on Wednesday to take advantage of lower borrowing cost after the credit rating upgrade to investment grade last week. US Treasury yields fell as record oil prices and US SEC imposed disclosure rules on capital and liquidity levels that distressed financial stocks. We expect ROP prices to be rangebound with a downward bias.

## CURRENCIES UPDATE

### USD/PHP

The dollar went up yesterday, closing at 42.44 vs. 42.28 previously. The greenback rose on follow-through buying after the higher-than expected April inflation rate (8.3% vs. 7.0% expected). The rally was further fuelled by the dollar's firm tone against regional currencies. Asian stocks and currencies got pressured after oil prices reached record-highs (above \$120 per barrel). The strong close suggests further gains, with the 42.50-60 resistance area set to be tested. Breach of that exposes 43.00 on the upside. Expected range today: 42.50 - 42.80.



### Major Currencies

Major currencies as well as regional currencies slumped overnight against the US dollar as market looking for a recovery for the US dollar on the near term. Adding to the US dollars' strength are news articles from a US newspaper that the US and EU have united desire to see the US dollar appreciate against the European currency. Market is expecting continued US dollar strength against most majors in the coming days.

NY Range:

USDJPY 104.59-105.59  
 EURUSD 1.5366-1.5434  
 GBPUSD 1.9503-1.9562  
 EURJPY 161.02-162.72



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## TERM OF THE DAY

**Leading Indicators** - This is a composite index of 11 economic indicators that have been found to lead business cycle turning points (peaks and troughs). The index of leading indicators have been found to have a good track record at giving early warnings -2 -15 months - of turning points in economic activity.

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