

Wednesday, May 21, 2008

DAILY MARKET EDGE

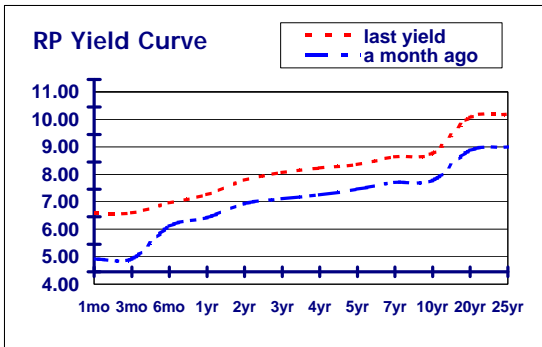
Latest Auction Results				RP Benchmark		PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	5/20/2008	5/19/2008	As of	5/21/08 1:48 PM	
91D	3.673	3.672	0.960	05/20/08	3MO	Open	42.820	42.690	\$/CURR	BID	OFFER
182D	4.675	4.659	2.000	05/20/08	6MO	High	43.000	42.820	JPY	103.310	103.320
364D	6.915	5.993	6.462	05/20/08	1YR	Low	42.810	42.690	IDR	9306	9311
						Close	43.000	42.800	SGD	1.365	1.365
						Ave.	42.950	42.753	TWD	30.486	30.491
						Vol.	715.080	351.500	THB	31.880	31.930
									HKD	7.800	7.800

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	05/20/08	2YR	6.937%
5YR	8.750	6.625	7.000	05/20/08	5YR	7.460%
7YR	8.375	6.500	7.000	05/20/08	7YR	7.702%
10YR	7.750	5.875	7.500	05/20/08	10YR	7.773%
20YR	8.625	8.000	7.000	05/20/08	20YR	8.869%
25YR	8.500	9.375	7.000	05/20/08	25YR	8.992%

INTEREST RATES UPDATE

Philippine Government Securities

GS yields traded 5-10 bps yesterday as the 7 year auction came in higher than expected at 8.375% from 8.125% market expectation. The 2 and 3 years traded 10 bps higher at 7.275% and 7.7% respectively. The 5 years closed at 7.935% which is 5 bps higher than previous close. With continued demand on the retail side and inflationary concerns we could see the curve to continue to be steep with premium still on the 1-3 years.



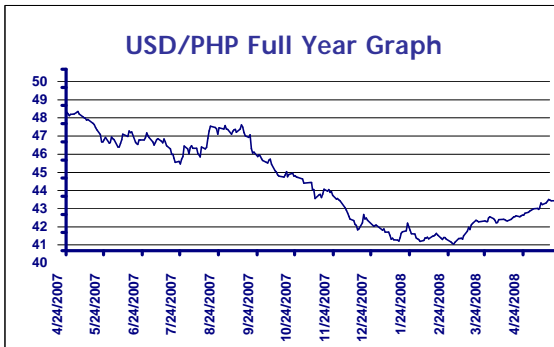
Philippine Sovereign USD Bonds

Philippine sovereign dollar bond prices were rangebound due to some profit-taking while tracking other emerging market bonds. US Treasury yields fell after US equities plunged due to fresh record oil prices and Oppenheimer said additional writedowns could reach \$170 bio on top of the existing \$379bio. Headline producer price index was lower than expected at 0.2 while the core was higher at 0.4. We expect ROP prices to be rangebound with a downward bias after the slump in US equities.

CURRENCIES UPDATE

USD/PHP

The dollar went up yesterday, closing at 43.00 vs. 42.80 previously. The greenback edged higher against Asian currencies, rebounding after recent losses. However, the lack of dollar offers at 42.90 saw the market get short squeezed, lifting the greenback at the close. The strong close suggests further gains, with 43.10 looming as target. Expected range: 43.00 - 43.20.



Major Currencies

US dollar continued to weaken overnight against most major currencies as German PPI data was stronger than expected and RBA minutes showed that they are considering hiking rates on Australia as inflation on 17 year highs. However, US dollar weakness was capped during New York as US PPI better than market expectations. US dollar's weakness was also supported by rising crude prices as well as rising prices on commodities.

NY Range:

USDJPY 103.45-104.22
 EURUSD 1.5625-1.5681
 GBPUSD 1.9646-1.9720
 EURJPY 162.05-163.02



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TERM OF THE DAY

Tier 2 Capital - These are subordinated debts that could form part of capital but does not erode shareholders' value.

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