

Thursday, May 22, 2008

DAILY MARKET EDGE

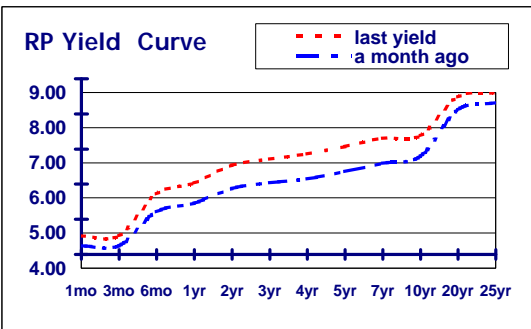
Latest Auction Results				RP Benchmark		PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	5/21/2008	5/20/2008	As of	5/22/08	12:17 PM
91D	3.673	3.672	0.960	05/21/08	3MO	Open	43.050	42.820	\$/CURR	BID	OFFER
182D	4.675	4.659	2.000	05/21/08	6MO	High	43.250	43.000	JPY	102.990	102.990
364D	6.915	5.993	6.462	05/21/08	1YR	Low	43.050	42.810	IDR	9313	9323
						Close	43.240	43.000	SGD	1.359	1.359
						Ave.	43.175	42.950	TWD	30.351	30.380
						Vol.	686.640	715.080	THB	31.920	31.970
									HKD	7.800	7.800

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	05/21/08	2YR	7.740%
5YR	8.750	6.625	7.000	05/21/08	5YR	8.406%
7YR	8.375	6.500	7.000	05/21/08	7YR	8.619%
10YR	7.750	5.875	7.500	05/21/08	10YR	8.771%
20YR	8.625	8.000	7.000	05/21/08	20YR	10.077%
25YR	8.500	9.375	7.000	05/21/08	25YR	10.190%

INTEREST RATES UPDATE

Philippine Government Securities

GS yields traded higher yesterday by 2-5 bps across the curve in the wake of the higher than expected 7 year auction. The 2 years traded 5 bps higher at 7.325%. The 3 years closed 2 bps higher at 7.725%. The 5 years traded at 7.975% which is 5 bps higher than previous close. Lastly the 9 years traded at 8.325% which is 2 bps higher than last trading level. Market could remain range bound with a slightly upward bias in the long end due to inflation fears.



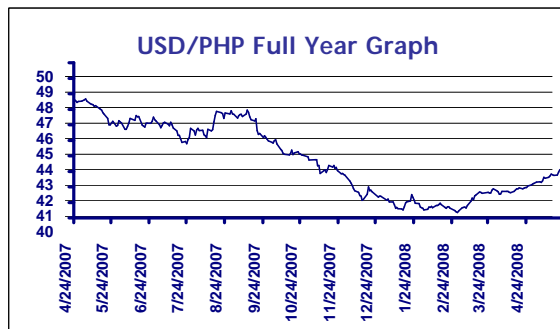
Philippine Sovereign USD Bonds

ROP prices were lower by quarter of a point due to decline in Asian equities yesterday. Prices were given in ROP 30 at 131.00 (6.76%), ROP 31 at 112.125 (6.70%) and ROP 32 at 97.00 (6.63%). The US Treasury yield curve steepened after FOMC minutes of the April meeting implied a pause in the Fed's easing cycle. However, any upside in the longend of the curve were capped after slump in US equities due to fresh record oil prices induced demand for the government debt. We expect ROP prices to be rangebound with a downward bias due to decline in major equities overnight.

CURRENCIES UPDATE

USD/PHP

The dollar went up yesterday, closing at 43.24 vs. 43.00 previously. High oil prices saw the peso under-perform compared to its Asian neighbors, as the Philippine economy is seen vulnerable to inflation risk. Price action suggests a break out of the 43.00 resistance level, with 43.40 looming as initial target. Expected range: 43.20 - 43.50.



Major Currencies

US dollar continued to weaken against major currencies as German IFO better than expected and commodity prices especially crude oil on record highs again. German IFO came out 103.5 against market expectation of 102.00 while crude prices on record highs again breaching 130.00 per barrel gives some support for a weak USD. AUD on 24 year high again after RBA minutes mentioned that it is considering hiking rates as inflation on a 17 year high.

NY Range:

USDJPY 102.96-103.64
 EURUSD 1.5732-1.5798
 GBPUSD 1.9613-1.9738
 EURJPY 162.57-163.14



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TERM OF THE DAY

Consumer Confidence - This is measured by the University of Michigan report and the Conference Board Report. Consumers normally have a tendency to spend if they feel confident about their financial and economic prospects. The level of consumer confidence is most important to the financial markets during times of national crisis as this reflects deep economic concern facing an individual or the nation as a whole. The Consumer Confidence Index is a good leading indicator of consumer spending.

* Information provided in this report accurately reflect the personal views of the specialists. No responsibility is accepted for errors or omissions, or for any consequences arising there from.