

Thursday, May 29, 2008

# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark			PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	Yield	\$/Php	5/28/2008	5/27/2008	As of	5/29/08	11:21 AM
91D	3.673	3.672	0.960	05/28/08	3MO	5.876%	Open	43.620	43.630	\$/CURRE	BID	OFFER
182D	4.675	4.659	2.000	05/28/08	6MO	6.638%	High	43.720	43.750	JPY	104.860	104.870
364D	6.846	6.915	8.440	05/28/08	1YR	7.056%	Low	43.550	43.630	IDR	9330	9335
							Close	43.720	43.750	SGD	1.363	1.364
							Ave.	43.643	43.700	TWD	30.455	30.465
							Vol.	700.500	595.500	THB	32.390	32.430
										HKD	7.805	7.805

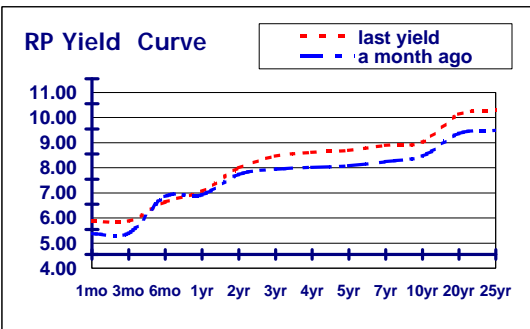
  

FXTN	Cpn	Prev.	Vol.	Date	FXTN	Yield
2YR	8.500	8.500	5.000	05/28/08	2YR	7.987%
5YR	8.750	6.625	7.000	05/28/08	5YR	8.687%
7YR	8.375	6.500	7.000	05/28/08	7YR	8.898%
10YR	7.750	5.875	7.500	05/28/08	10YR	9.029%
20YR	8.625	8.000	7.000	05/28/08	20YR	10.129%
25YR	8.500	9.375	7.000	05/28/08	25YR	10.302%

## INTEREST RATES UPDATE

### Philippine Government Securities

GS yields traded higher again by 2-5 bps across the curve on fiscal news that the Philippines would abandon its 2008 budget and is looking at a deficit of 70Bio this year and 40Bio in 2009. The 4 years traded at 8.3% which is 5 bps higher than previous close. The 5 years was 2 bps higher at 8.5%. Lastly the 8 years was 5 bps higher at 8.75%. With inflation concerns, yields would continue to trade higher and be steeper in the coming days.



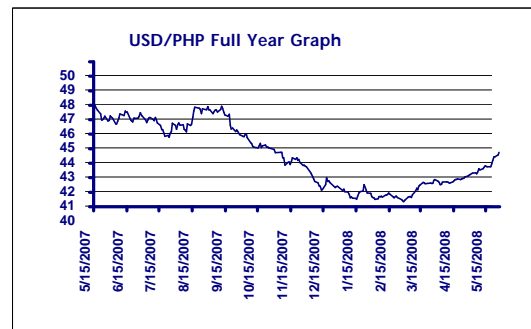
### Philippine Sovereign USD Bonds

Philippine sovereign dollar bond prices were higher by quarter of a point on short-covering. Prices were taken in ROP 30 at 130.625 (6.78%), ROP 31 at 111.625 (6.74%) and ROP 32 at 96.50 (6.67%). US Treasury yields rose after durable goods orders was better than expected with the headline printed at -0.5 and ex-transportation at 2.5. We expect ROP prices to be rangebound with a slight downward bias due to selloff in emerging market bonds last night.

## CURRENCIES UPDATE

### USD/PHP

The dollar eased a little yesterday, closing at 43.72 vs. 43.75 previously. The greenback gapped lower, opening at 43.62 and actually reached 43.55 on the back of lower oil prices (about \$128 per barrel yesterday morning). However, bad news on the fiscal budget (targeted balanced budget delayed from this year to 2010) saw the market cover dollar shorts in the afternoon, lifting the greenback at the close. The strong close suggests further gains for the dollar, with 43.80 looming as initial target ahead of the 44.00 psychological level. Expected range: 43.70 - 44.00.



### Major Currencies

US dollar rebounded overnight as US durable goods came out better than expected. Market was expecting a -1.5% figure but actual data came out -0.5% pushing US dollar to strengthen against a basket of major currencies. Oil prices softer as well giving the greenback's strength some support as well. Market will closely watch tonight's US GDP figure for further directions for most major currencies. Expected is an improvement +0.9% against previous' +0.6%.

NY Range:

USDJPY 104.45-105.32  
 EURUSD 1.5608-1.5670  
 GBPUSD 1.9704-1.9828  
 EURJPY 163.43-164.48



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## TERM OF THE DAY

**Technical Correction** - A short-term reversal of the current market trend.

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