

Monday, July 07, 2008

# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark		PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	7/4/2008	7/3/2008	As of	7/7/08	11:29 AM
91D	3.673	3.672	0.960	07/04/08	3MO	Open	45.600	45.210	\$/CURR	BID	OFFER
182D	4.675	4.659	2.000	07/04/08	6MO	High	45.700	45.500	JPY	107.200	107.200
364D	6.703	6.79	13.446	07/04/08	1YR	Low	45.430	45.205	IDR	9211	9214
						Close	45.450	45.500	SGD	1.362	1.362
						Ave.	45.551	45.320	TWD	30.391	30.394
						Vol.	847.800	568.500	THB	33.590	33.630
									HKD	7.798	7.798

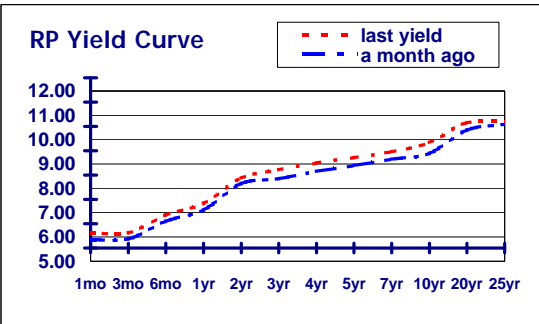
  

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	07/04/08	2YR	8.204%
5YR	8.750	8.750	7.000	07/04/08	5YR	8.933%
7YR	8.375	6.500	7.000	07/04/08	7YR	9.204%
10YR	7.750	5.875	7.500	07/04/08	10YR	9.435%
20YR	8.625	8.000	7.000	07/04/08	20YR	10.392%
25YR	8.500	9.375	7.000	07/04/08	25YR	10.635%

## INTEREST RATES UPDATE

### Philippine Government Securities

GS yields traded higher last Friday by 5 bps as the Philippine CPI came in at 11.4% which is higher than the BSP range of 10.4%-11.2%. The 3 and 5 years traded at 8.3% and 8.8% respectively. Slow activity for the market as most players opted to stay in the sidelines. With BSP still expected to raise rates, yields are still expected to trade higher.



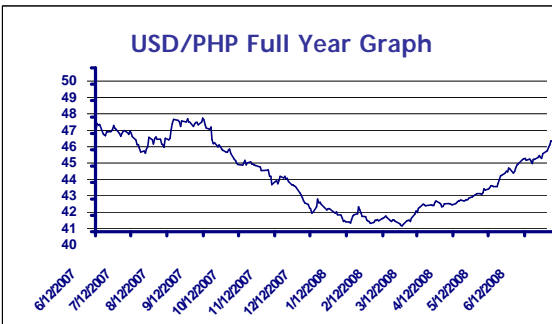
### Philippine Sovereign USD Bonds

Philippine sovereign dollar bond prices were flat due to New York holiday last Friday. Meanwhile, US treasury yields opened lower in Asian trade today after European equities fell on credit and inflation concerns. We expect ROP prices to be rangebound with a downward bias.

## CURRENCIES UPDATE

### USD/PHP

The dollar declined last Friday, succumbing to profit-taking to close at 45.45 vs. 45.50 previously. Worse-than-expected June inflation data (11.4% actual vs. 10.2-11.2% BSP range) saw the market push the exchange rate to as high as 45.70 as investment confidence took a hit. However, BSP dollar offers and profit-taking (on sell on fact) saw the market getting caught long on dollars. Stop-loss sales pulled down the exchange rate at the close. The weak close suggests further losses, with 45.40 looming as initial target. However, fundamentals still favor dollar bulls (weak growth, high inflation scenario). Corporate dollar demand may be expected to emerge below the 45.40 level. On the other hand, caution after the fall last Friday should prevent the dollar from breaching 45.55 resistance, at least initially.



### Major Currencies

Market was mostly trading in a range, as the US market was on holiday. EUR closed weaker versus the dollar compared to the previous close as the momentum from Thursday's trading spilled over to the next day. Market will most likely continue trading sideways in the coming days as it awaits further cues regarding other central bank's interest rate policy.

NY Range:

EUR/USD 1.5676-1.5720  
 GBP/USD 1.9795-1.9835  
 EUR/JPY 167.22-167.74  
 USD/JPY 106.60-106.85



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## TERM OF THE DAY

**Cash Flow** - the net income of a corporation or individual's net income after all expenses.

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