

Tuesday, July 08, 2008

# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark		PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	7/7/2008	7/4/2008	As of	7/8/08	11:12 AM
91D	5.699	3.673	2.238	07/07/08	3MO	Open	45.430	45.600	\$/CURR	BID	OFFER
182D	4.675	4.659	2.000	07/07/08	6MO	High	45.720	45.700	JPY	107.090	107.100
364D	6.747	6.703	6.360	07/07/08	1YR	Low	45.370	45.430	IDR	9205	9205
						Close	45.720	45.450	SGD	1.363	1.363
						Ave.	45.513	45.551	TWD	30.384	30.384
						Vol.	633.500	847.800	THB	33.690	33.740
									HKD	7.802	7.803

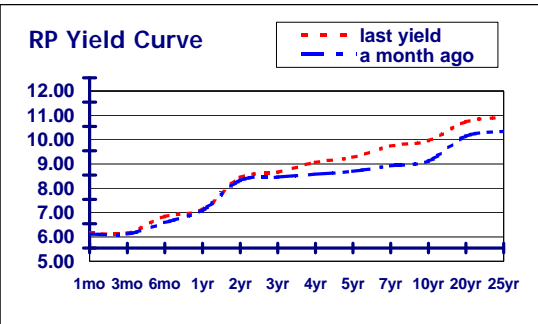
  

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	07/07/08	2YR	8.335%
5YR	8.750	8.750	7.000	07/07/08	5YR	8.694%
7YR	8.375	6.500	7.000	07/07/08	7YR	8.925%
10YR	7.750	5.875	7.500	07/07/08	10YR	9.115%
20YR	8.625	8.000	7.000	07/07/08	20YR	10.148%
25YR	8.500	9.375	7.000	07/07/08	25YR	10.337%

## INTEREST RATES UPDATE

### Philippine Government Securities

1 year auction rose slightly in the 1 year by 4 bps to 6.74% from 6.70% previous in anticipation that the BSP will increase their overnight rates by 25 bps next week. In the secondary market yields traded lower by 7-10 on client demand. The 2 years was 7 bps lower at 7.0%. The 3 and 5 years was 10 bps lower at 8.3% and 8.7% respectively. With inflation still a concern, yields could continue to trend higher in the coming weeks.



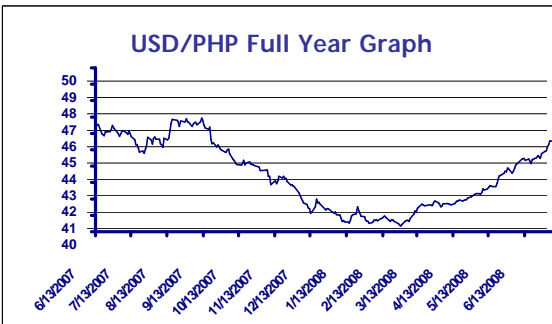
### Philippine Sovereign USD Bonds

Philippine sovereign dollar bond prices were still rangebound tracking other emerging market bonds and global equities. Meanwhile, US treasury yields fell in late New York trade after Lehman Brothers said an accounting change may force Fannie Mae and Freddie Mac to raise a combined USD75 bio capital. We expect ROP prices to be rangebound with a downward bias due to credit and inflation concerns.

## CURRENCIES UPDATE

### USD/PHP

The dollar rebounded yesterday, closing at 45.72 vs. 45.45 previously. The greenback initially opened lower at 45.43 and reached a low of 45.37 on follow-through selling after its weak close Friday. However, corporate dollar demand propped up the U.S. unit. The market got caught short dollars, and the resultant short squeeze lifted the exchange rate at the close. The strong close suggests further gains, with 45.80 looming as target. Softer oil prices (down \$3 to \$141 per barrel) may however pressure the dollar initially. Expected range: 45.60 - 45.90.



### Major Currencies

The US dollar was mostly weaker across the board against major currencies in NY trading, reversing the gains made during Asian time. This was caused by the US Equities market reacted on news of potential financial trouble for mortgage lenders Fannie Mae and Freddie Mac by shedding close to 0.5% after being up in early trading. Market is looking toward Fed Chairman Bernanke's statements later tonight for insights regarding monetary policy.

NY range:  
 EUR USD 1.5621-1.5754  
 USD JPY 106.71-107.75  
 EUR JPY 168.05-168.64  
 GBP USD 1.9652-1.9789



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## TERM OF THE DAY

**Coupon Bond** – a bond with interest coupons attached.

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