

Thursday, July 17, 2008

# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark			PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	7/16/2008	7/15/2008	As of	7/17/08 11:00 AM		
91D	5.699	3.673	2.238	07/16/08	3MO	Open	45.370	45.150	\$/CURR	BID	OFFER	
182D	4.675	4.659	2.000	07/16/08	6MO	High	45.570	45.475	JPY	104.892	104.912	
364D	6.747	6.703	6.360	07/16/08	1YR	Low	45.320	45.100	IDR	9138	9138	
						Close	45.520	45.460	SGD	1.349	1.349	
						Ave.	45.477	45.264	TWD	30.355	30.359	
						Vol.	633.050	834.860	THB	33.290	33.500	
									HKD	7.798	7.798	

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	07/16/08	2YR	8.402%
5YR	8.750	8.750	7.000	07/16/08	5YR	9.056%
7YR	8.375	6.500	7.000	07/16/08	7YR	9.298%
10YR	7.750	5.875	7.500	07/16/08	10YR	9.554%
20YR	8.625	8.000	7.000	07/16/08	20YR	10.444%
25YR	8.500	9.375	7.000	07/16/08	25YR	10.569%

## INTEREST RATES UPDATE

### Philippine Government Securities

GS yields remained flat yesterday as most players opted to stay in the sidelines ahead of today's MB meeting. Most trades were on the short dated tenors mostly on retail client demands. For the MB meeting scheduled this afternoon, market has already priced in a 25 bps rate hike. Just in case the BSP decides to raise rates by 50 bps, market could experience a sell-off.

## CURRENCIES UPDATE

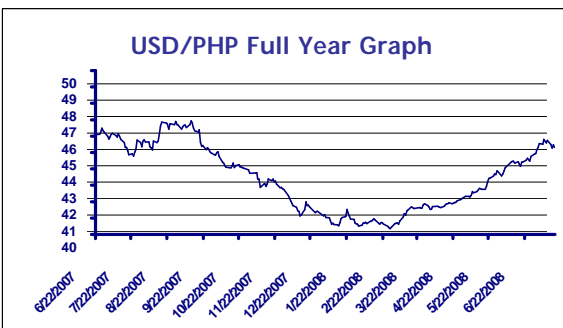
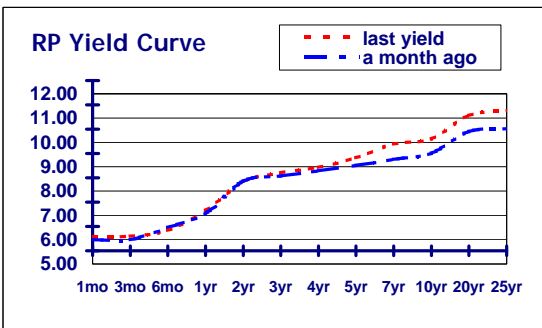
### USD/PHP

The dollar ended slightly higher yesterday, closing at 45.52 vs. 45.46 previously. The greenback again had a choppy session against the peso, opening lower at 45.37 and reaching a low of 45.32 before rebounding to close at 45.52. The dollar opened lower as oil prices retreated to \$138 per barrel, but weak Philippine stocks pushed the greenback to close firmer. Market played cautious towards closing as traders await the Monetary Board meeting this afternoon (25 basis-point hike largely expected). Expected range: 45.20 - 45.40.



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## Philippine Sovereign USD Bonds

Philippine sovereign dollar bond prices were flat tracking other emerging market bonds. The bond market weighs the effects of the drop in oil prices and credit concerns. Meanwhile, US Treasury yields rose after the consumer prices index was higher than expected and Wells Fargo reported Q2 earnings that beat estimates. We expect ROP prices to be rangebound with an upward bias due to recovery in US equities.

## Major Currencies

USD stronger across the board on the back of a stronger US Equities market which was bolstered by Fed Chair Bernanke's comments as well as better than expected results from Wells Fargo. New rules being implemented against short selling in the US equities should help ease downward volatility in the coming weeks.

NY RANGE:  
 EUR USD 1.5800-1.5910  
 USD JPY 104.01-105.20  
 EUR JPY 165.46-166.47  
 GBP USD 1.9958-2.0040

## TERM OF THE DAY

**Fiscal Crisis** – It is a situation where the government can no longer manage its debts due to a burgeoning budget deficit.

\* 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.