

Friday, July 18, 2008

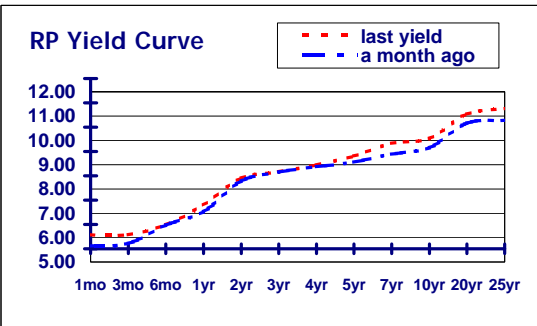
# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark		PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	7/17/2008	7/16/2008	As of	7/18/08 11:33 AM	
91D	5.699	3.673	2.238	07/17/08	3MO	Open	45.350	45.370	\$/CURR	BID	OFFER
182D	4.675	4.659	2.000	07/17/08	6MO	High	45.400	45.570	JPY	106.360	106.360
364D	6.747	6.703	6.360	07/17/08	1YR	Low	45.030	45.320	IDR	9148	9152
						Close	45.030	45.520	SGD	1.353	1.353
FXTN	Cpn	Prev.	Vol.	Date	FXTN	Ave.	45.251	45.477	TWD	30.335	30.338
2YR	8.500	8.500	5.000	07/17/08	2YR	Vol.	804.000	633.050	THB	33.430	33.450
5YR	8.750	8.750	7.000	07/17/08	5YR				HKD	7.798	7.798
7YR	8.375	6.500	7.000	07/17/08	7YR						
10YR	7.750	5.875	7.500	07/17/08	10YR						
20YR	8.625	8.000	7.000	07/17/08	20YR						
25YR	8.500	9.375	7.000	07/17/08	25YR						

## INTEREST RATES UPDATE

### Philippine Government Securities

GS market was very quiet during the day yesterday as players were awaiting the BSP rate decision. Most deals were on the 2 years as it traded higher by 5 bps as some players tried to lighten their position. The BSP raised their rates by 50 bps which is 25 bps higher than market expectation. Upon the announcement, bids pulled back by 10-15 bps but offers did not adjust and in the end nothing was traded. Market is still expected to trade higher as the BSP mentioned that it could still raise rates in the future.



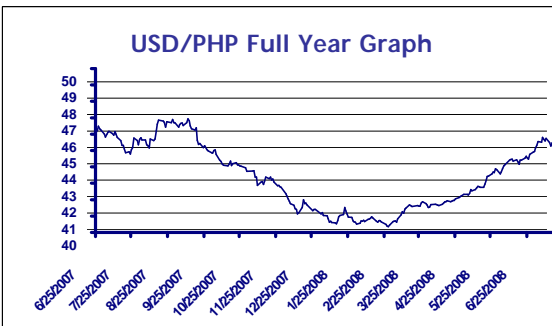
### Philippine Sovereign USD Bonds

ROP prices rose by quarter of a point yesterday after bottom fishing was met by news that BSP revised its inflation projections higher for 2008 and 2009. Prices were taken in ROP 30 at 123.50 (7.32%), ROP 31 at 105.625 (7.24%) and ROP 32 at 92.625 (7.02%). Meanwhile, US Treasury yields rose after JP Morgan reported better than expected Q2 earnings at \$2.05/bio or \$0.54/share. We expect ROP prices to be rangebound with a slight downward bias due to expected losses and writedown of Citigroup tonight.

## CURRENCIES UPDATE

### USD/PHP

The dollar declined yesterday, closing at 45.03 vs. 45.52 previously. The greenback got sold down against the peso as traders waited for the results of the Monetary Board meeting, with the market expecting at least a 25-basis point interest rate hike. Monetary authorities eventually hiked 50 basis points, with the dollar traded as low as 44.79 after official trading hours. The rate hike is welcomed by most analysts as it shows the vigilance of the BSP in containing inflation. Thus, the dollar is expected to further fall today, and most probably trade within 44.50 - 44.80.



### Major Currencies

US dollar regained its strength against the majors on better housing starts figures and better than expected JP Morgan financial report for the second quarter of 2008. Equity markets across the globe was also higher. Market focus tonight will be on the financials of Citibank.

#### NY RANGE:

EUR/USD: 1.5782-1.5894  
 GBP/USD: 1.9949-2.0073  
 EUR/JPY: 167.35-169.12  
 USD/JPY: 105.44-107.11



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## TERM OF THE DAY

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