

Monday, August 11, 2008

# DAILY MARKET EDGE

Latest Auction Results				RP Benchmark		PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	8/8/2008	8/7/2008	As of	8/11/08 3:00 PM	
91D	5.699	3.673	2.238	08/11/08	3MO	Open	44.050	43.770	\$/CURR	BID	OFFER
182D	6.483	4.675	3.000	08/11/08	6MO	High	44.360	44.000	JPY	109.960	109.960
364D	6.923	6.985	6.845	08/11/08	1YR	Low	44.050	43.760	IDR	9205	9205
						Close	44.340	43.940	SGD	1.407	1.407
						Ave.	44.305	43.904	TWD	31.167	31.194
						Vol.	947.050	654.000	THB	33.720	33.760
									HKD	7.811	7.811

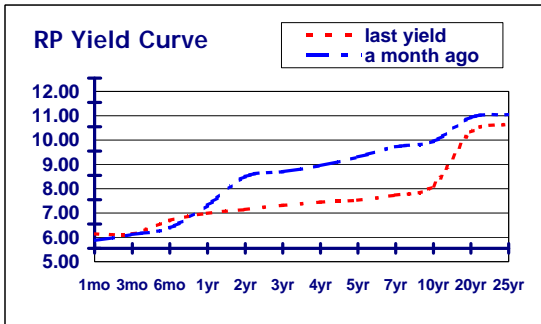
  

FXTN	Cpn	Prev.	Vol.	Date	FXTN	
2YR	8.500	8.500	5.000	08/11/08	2YR	8.494%
5YR	8.750	8.750	7.000	08/11/08	5YR	9.300%
7YR	8.375	6.500	7.000	08/11/08	7YR	9.719%
10YR	7.750	5.875	7.500	08/11/08	10YR	9.954%
20YR	8.625	8.000	7.000	08/11/08	20YR	10.935%
25YR	8.500	9.375	7.000	08/11/08	25YR	11.051%

## INTEREST RATES UPDATE

### Philippine Government Securities

GS yields ended 3-5 bps lower on client demand. The 3 years was 5 bps lower at 7.0%. The 4 and 5 years was 3 bps lower at 8.175% and 8.29% respectively. With global oil prices trading lower, the market could trade lower in the coming weeks.



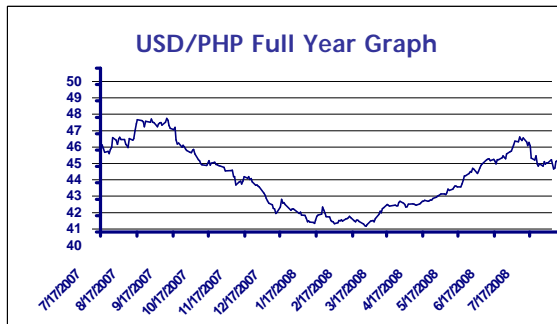
### Philippine Sovereign USD Bonds

ROP prices rose by half a point on some bottom fishing by offshore players. Prices were taken in ROP 30 at 127.625 (6.99%), ROP 31 at 109.50 (6.91%) and ROP 32 at 96.625 (6.66%). Meanwhile, the US Treasury yield curve slightly flattened as the drop in oil prices cheered US equities and reduced demand in the short end. However, lower oil prices also mean lower inflation pressures in the long end of the curve. We expect ROP prices to be rangebound with a slight upward bias due to decline in oil prices.

## CURRENCIES UPDATE

### USD/PHP

The dollar went up last Friday, closing at 44.34 vs. 43.94 previously. The greenback appreciated across the board, with the Euro tumbling heavily as prospects for European growth dim. Weak Asian stocks also helped bid up the dollar against Asian currencies, including the peso. With the dollar continuing to get higher against major currencies, expect Asian currencies including the peso to be on the defensive today. Focus will be on the broad dollar strength story, more than the strong equities markets (Dow Jones up 2.65% Friday night) and weak oil prices (\$115 per barrel). BSP dollar sales should however limit dollar rallies today. Expected range: 44.30 - 44.60.



### Major Currencies

The dollar rally continued in a big way after Trichet's comments about slowing growth being a concern in the Eurozone. For the day, the Euro was weaker by around 315 pips, helped by the decline in oil prices to about 115/bbl. With no major data today in the US, focus will be on whether oil prices will continued to drop.

NY RANGE:  
 EUR USD 1.4997-1.5129  
 GBP USD 1.9146-1.9270  
 USD JPY 109.51-110.37  
 EUR JPY 165.32-166.09



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## TERM OF THE DAY

**Liquidity** - the ability of the market in a particular security to absorb an amount of buying or selling at reasonable price changes.

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