

Tuesday, August 12, 2008

DAILY MARKET EDGE

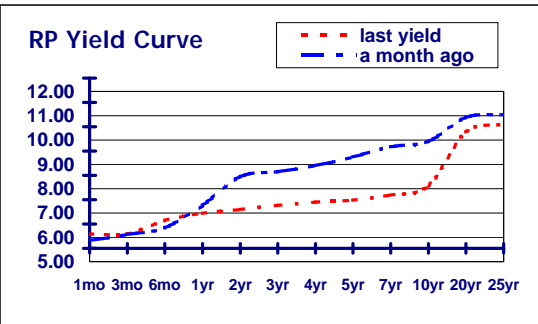
Latest Auction Results				RP Benchmark			PDS Summary			Asian Currencies		
TBills	Ave.	Prev.	Vol.	Date	TBills	\$/Php	8/8/2008	8/7/2008	As of	8/12/08	10:45 AM	
91D	5.699	3.673	2.238	08/11/08	3MO	Open	44.050	43.770	\$/CURR	BID	OFFER	
182D	6.483	4.675	3.000	08/11/08	6MO	High	44.360	44.000	JPY	110.160	110.170	
364D	6.923	6.985	6.845	08/11/08	1YR	Low	44.050	43.760	IDR	9180	9185	
						Close	44.340	43.940	SGD	1.411	1.412	
						Ave.	44.305	43.904	TWD	31.158	31.168	
						Vol.	947.050	654.000	THB	33.720	33.990	
									HKD	7.810	7.810	

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 lower by 20-40 bps lower on slowing inflation outlook due to declining oil prices. The 2 and 3 years traded 20 bps lower at 6.5% and 6.8% respectively. The 4 and 5 years was 30 bps lower at 6.875% and 6.97% respectively. The 8.5 years was 40 bps lower at 7.4%. BTR will auction 7 year bonds today, with players comfortable with the current levels, the auction could be successful and could fetch a rate 10 bps lower than current market levels with a range of 7.20%-7.30%.



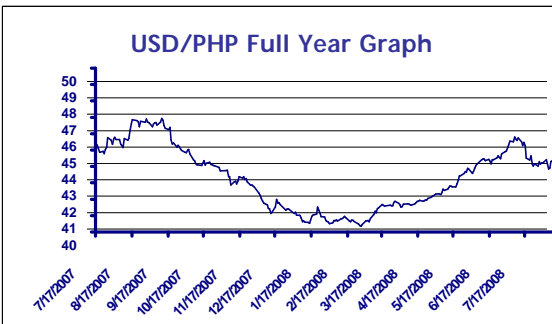
Philippine Sovereign USD Bonds

ROP prices rose by quarter of a point as financial markets cheered the significant decline in oil prices. Prices were taken in ROP 30 at 128.125 (6.96%), ROP 31 at 110.125 (6.86%) and ROP 32 at 97.00 (6.63%). Meanwhile, US Treasury yields rose after investors transferred from safe haven government debt to equities. The drop in oil prices by \$3 to 112.72 last night provided optimism for economic growth. 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. The dollar ended a tad lower at 44.315 yesterday vs. 44.34 last Friday. The greenback was initially bought up to 44.485 on follow-through buying after the strong close Friday. Broad dollar strength lifted the dollar against Asian currencies including the peso (despite weak oil prices and strong Asian stocks). Lack of corporate dollar demand plus profit-taking saw the dollar melt down at the close. With the dollar gaining again last night, expect the dollar to gain again today. 44.48 looms as target. Expected range: 44.30 - 44.60.



Major Currencies

Majors tracked oil for most of the day, ending slightly lower after oil reached 114.5/bbl levels. Market is looking forward to CPI numbers in the Eurozone and England which are expected to show that prices have dropped month-on-month for July.

NY RANGE:

EUR USD 1.4880-1.5026
 USD JPY 109.55-110.40
 GBP USD 1.9067-1.9230
 EUR JPY 164.01-165.01



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TERM OF THE DAY

London Inter-Bank Offered Rate (LIBOR) – is the rate at which banks in London offer Eurodollars in the placement market. The Libor rate used in pricing a loan is usually the average of the 11:00AM offering rates of top 3-5 reference banks in the market.

* 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.