



EAGLE WATCH

Philippine Financial Markets...
Holding despite Headwinds

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Developments

- US, Japan and Eurozone
- Investment Grade and Inflows
- Monetary Aggregates
- Fiscal Position
- Inflation Movements
- Stock Market and regional peers



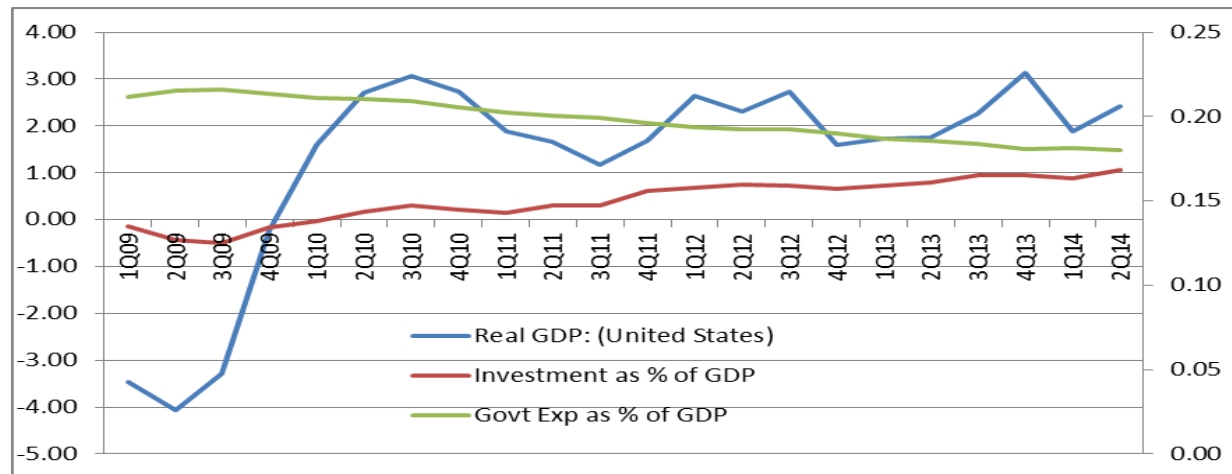
Global Finance

Equities	6 months ago	Current
US	+0.48%	+6.4%
JAPAN	-6.09%	+7.2%
GERMANY	-5.29%	+4.4%

Source: Wall Street Journal



US, Japan and EU: Different Environment





Japan and EU

EUROPEAN UNION INFLATION RATE



Entering a deflationary condition

Avoiding deflation

JAPAN INFLATION RATE
Annual Change on Consumer Price Index





Swiss Franc Delink



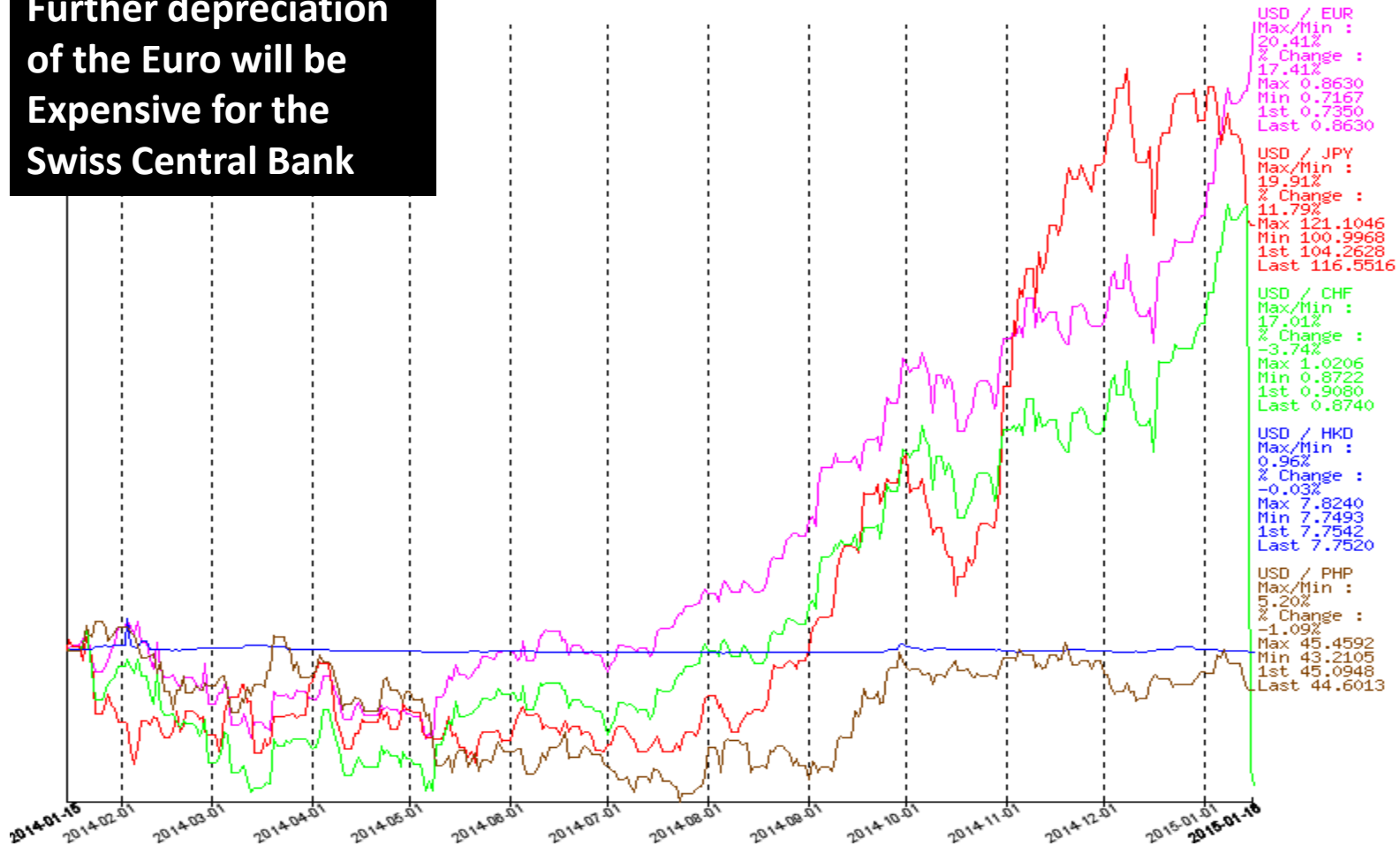
SOURCE: WWW.TRADINGECONOMICS.COM

Capped at 1.20 CHF to the Euro to prevent appreciation in 2008
– affecting its exports!



Swiss Franc delink

Further depreciation
of the Euro will be
Expensive for the
Swiss Central Bank





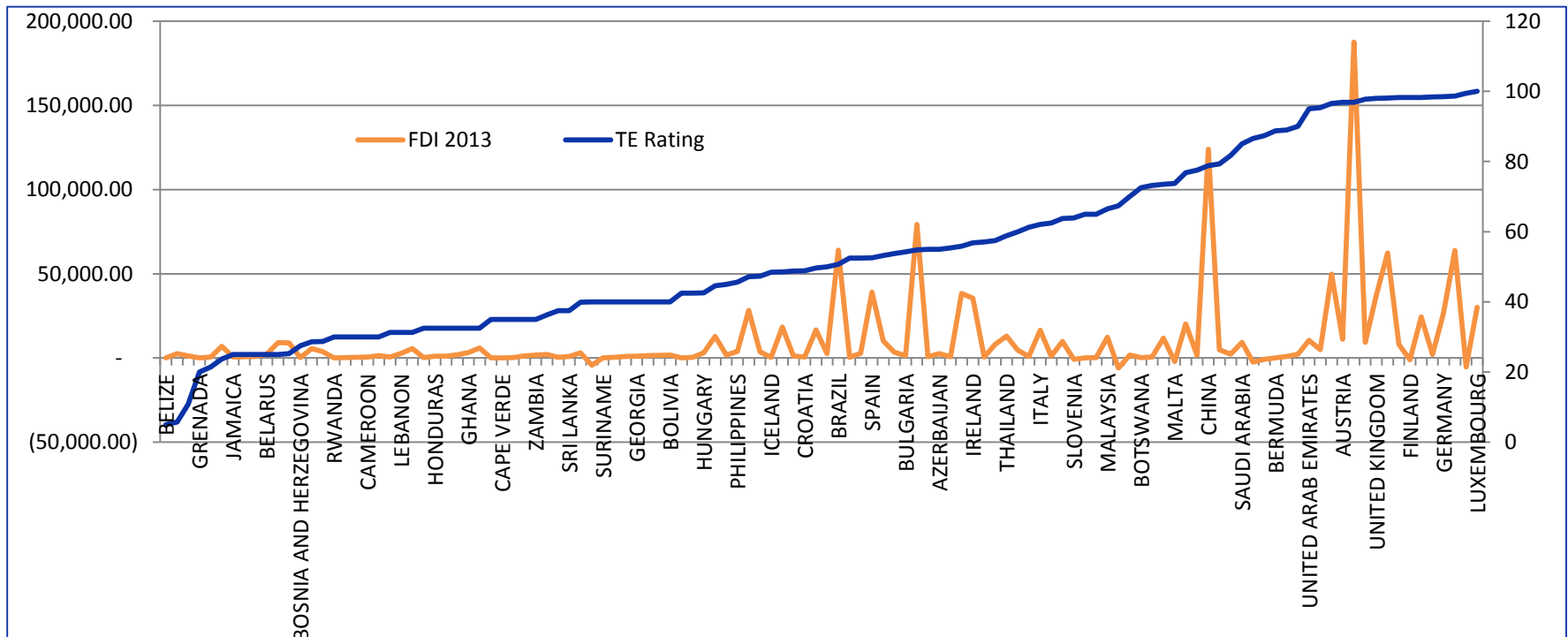
Key Messages

- Central Banks are no longer aligned
- More opposing currents, divergence among countries
- Short-term volatilities will prevail



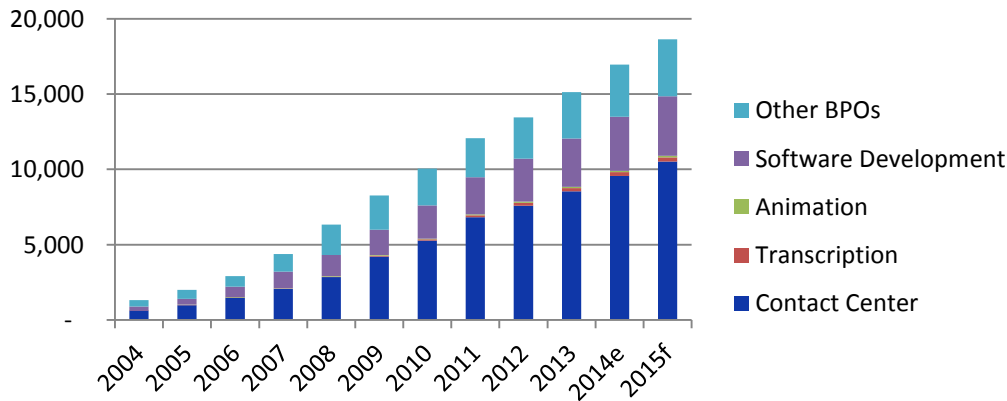
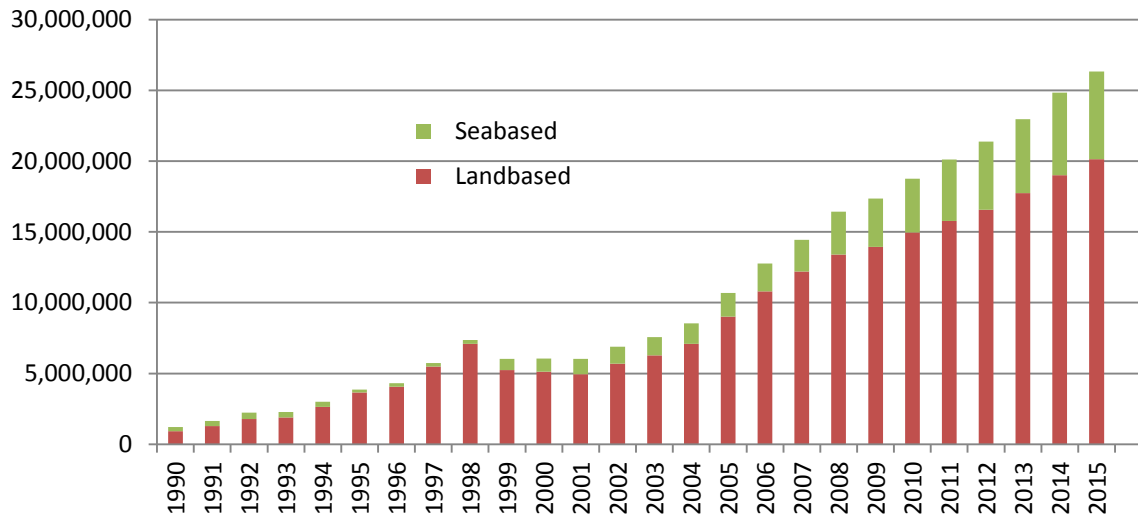
Investment Grade

- REPUTATIONAL - requires more work to be sustained – FDI likely doubled to USD 6 billion!





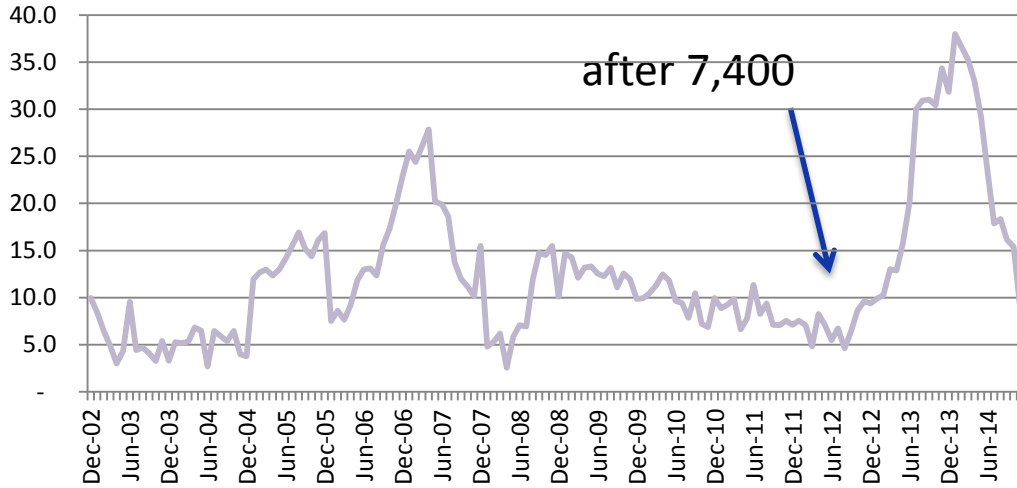
Per Capita Remittance slowing but BPO adding up



Will most likely be 2/3
Of remittances by end 2015!



Monetary Aggregates

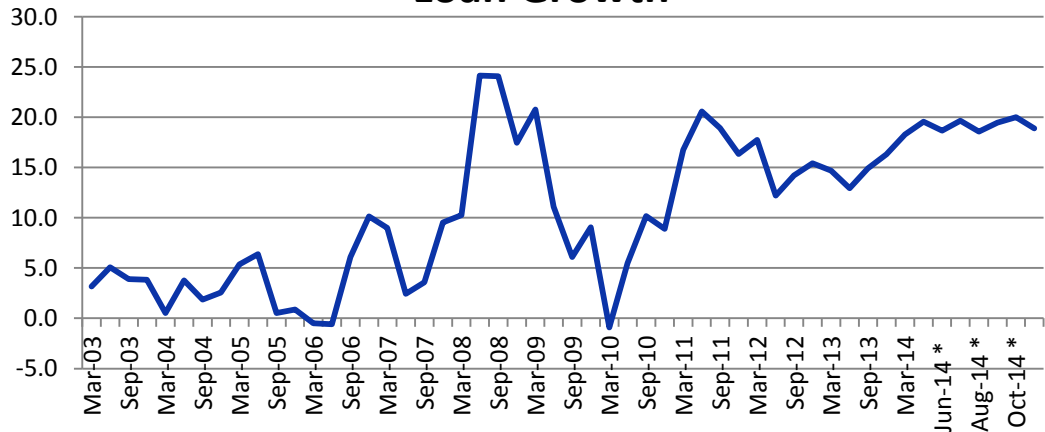


Liquidity growth back to Single digit levels

Source: BSP

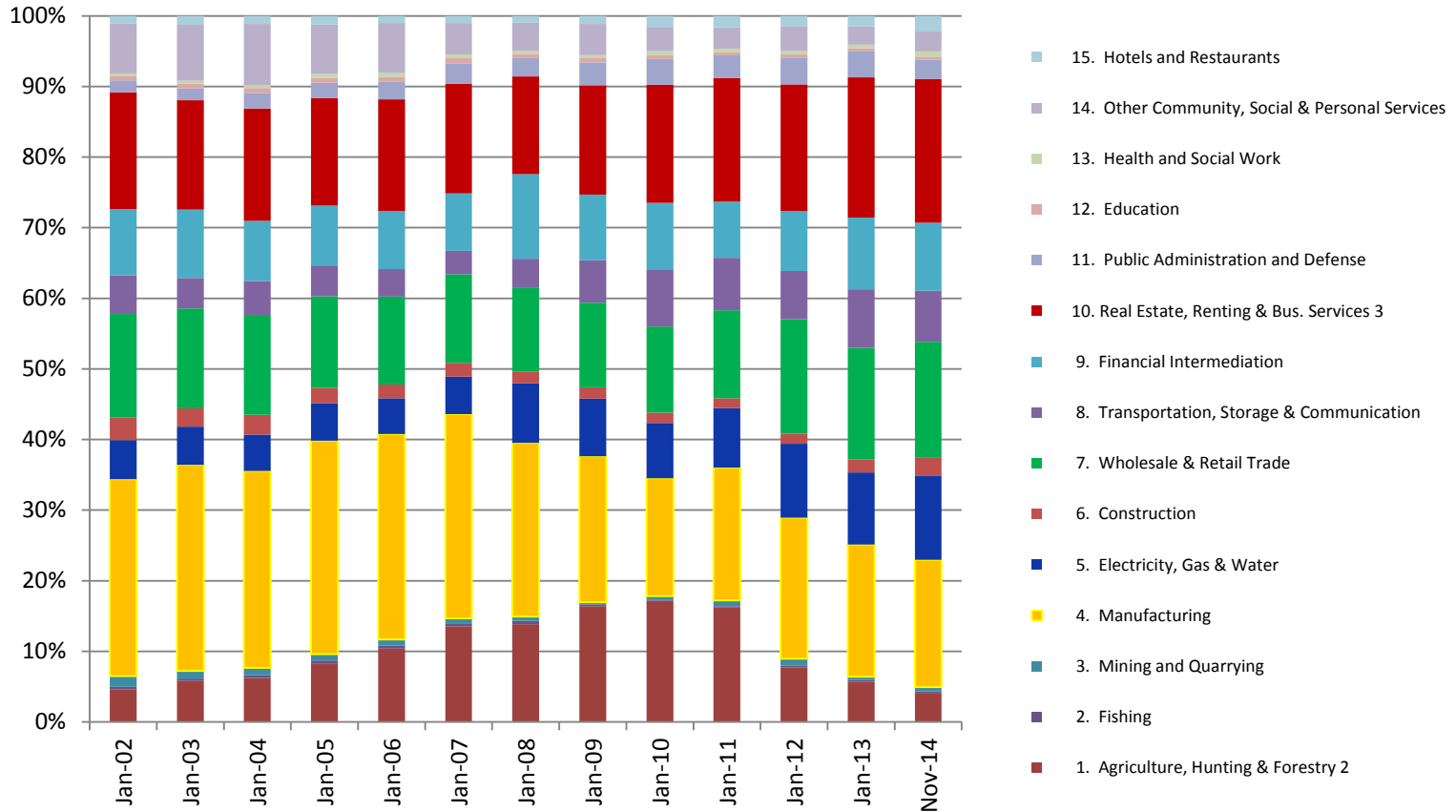
Loan growth at 20%

Loan Growth





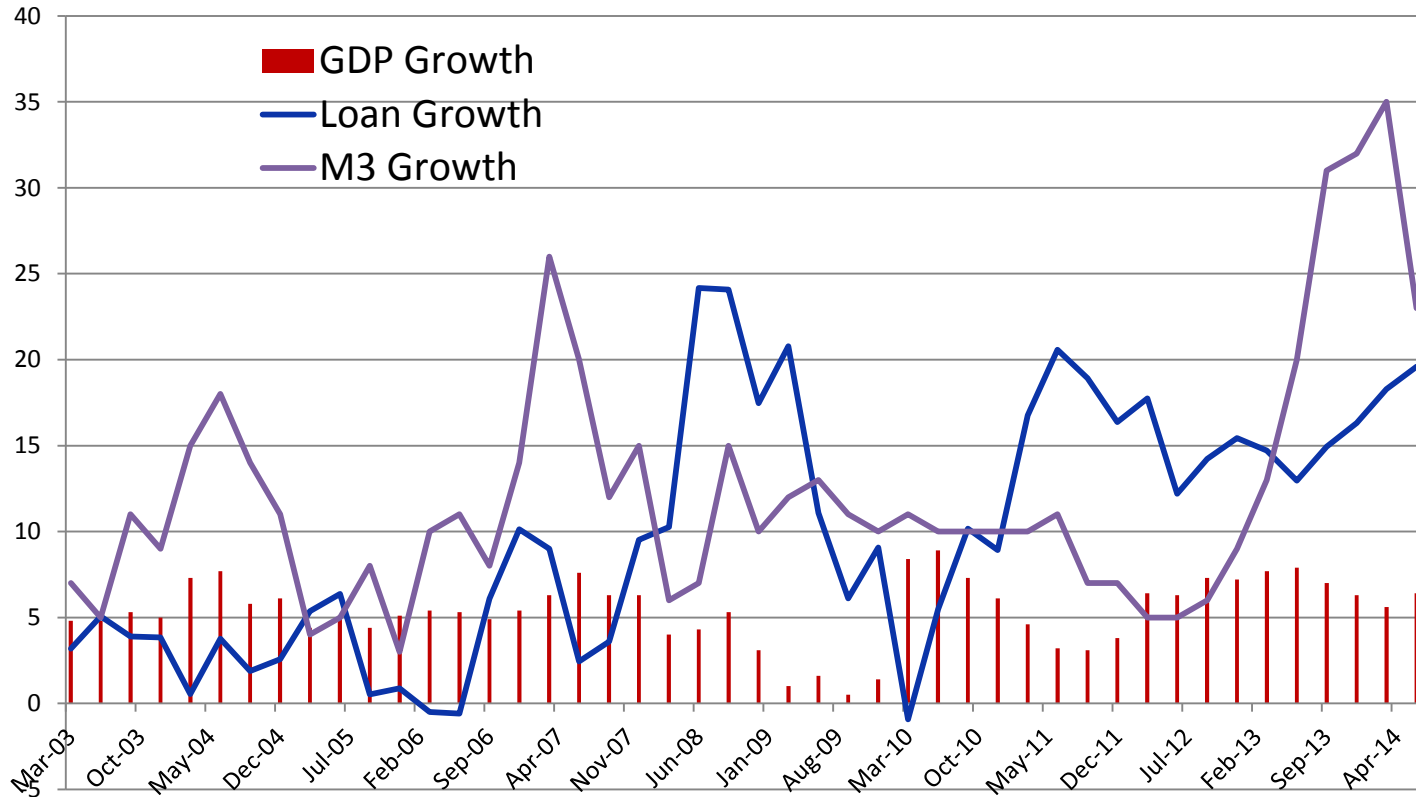
Loans to Production



Diversifying to more sectors!



Monetary growth

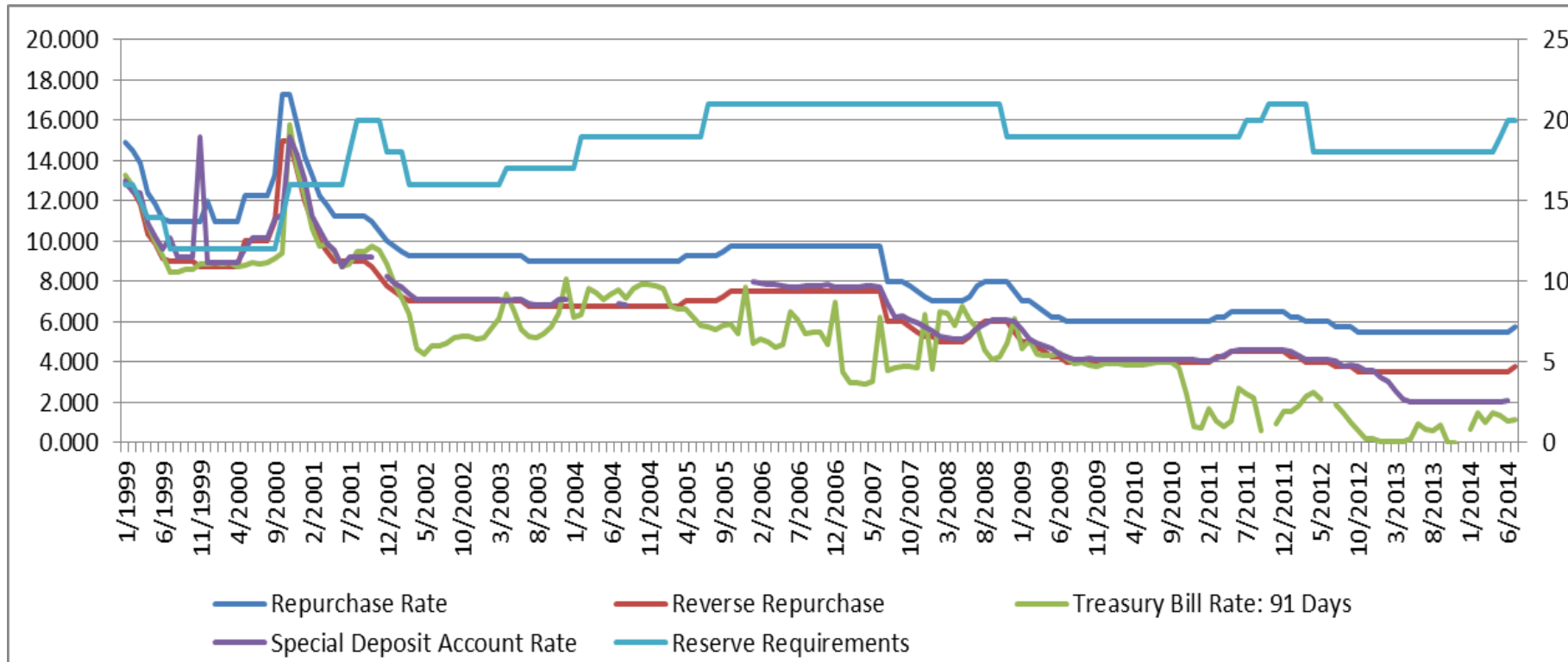


Reasonable growth rates to support GDP growth!



Monetary Stance

Delay tightening and observed world response to current fx volatilities

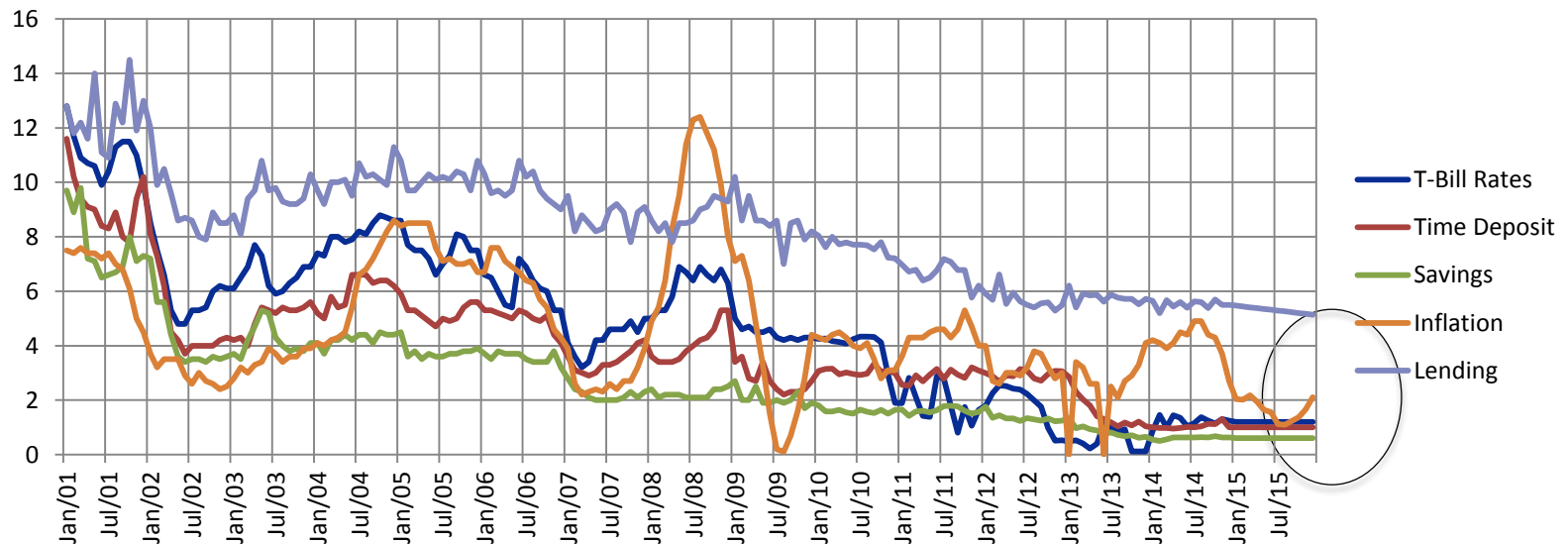


Source: CEIC, BSP



Local Rates

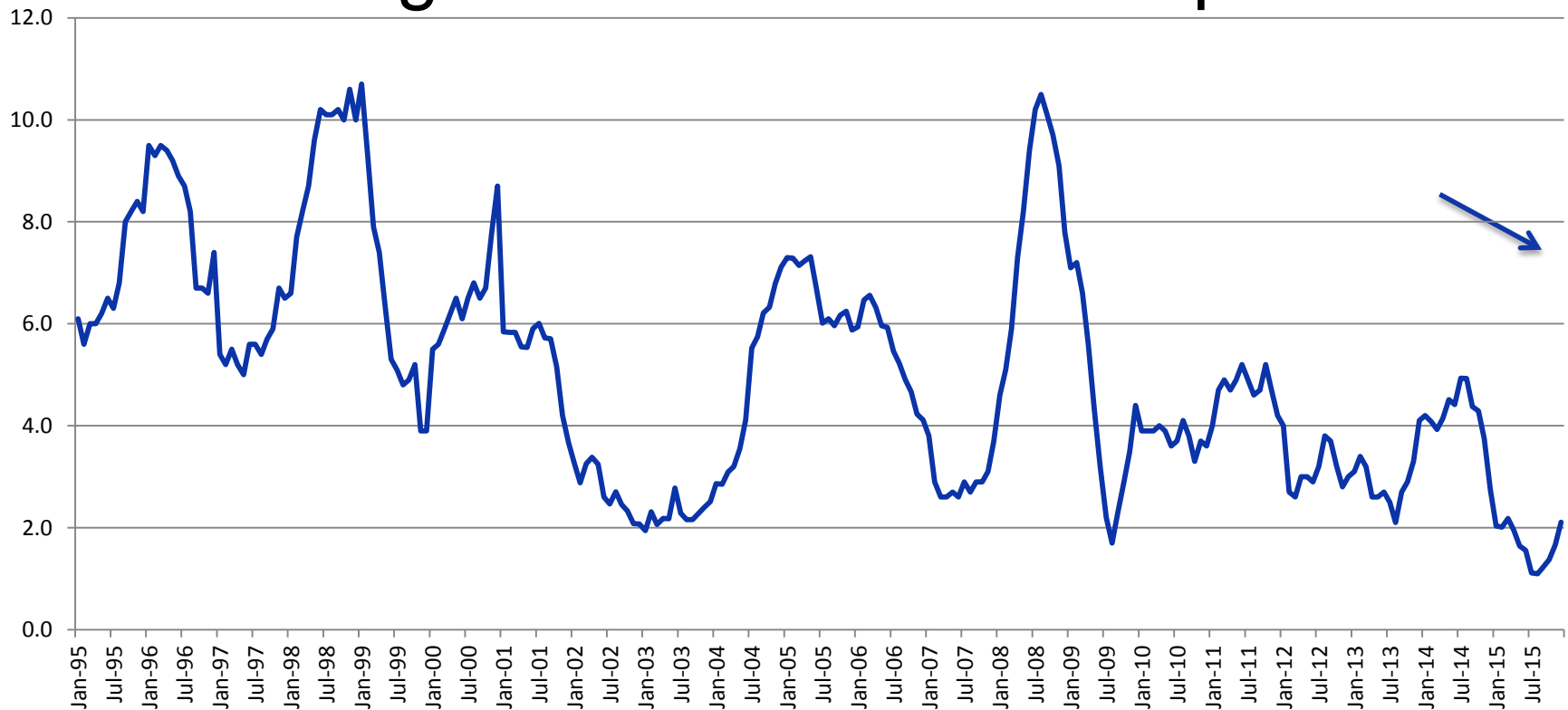
- Rates will continue to be low – with base inflation estimates to be below 3%





Inflation

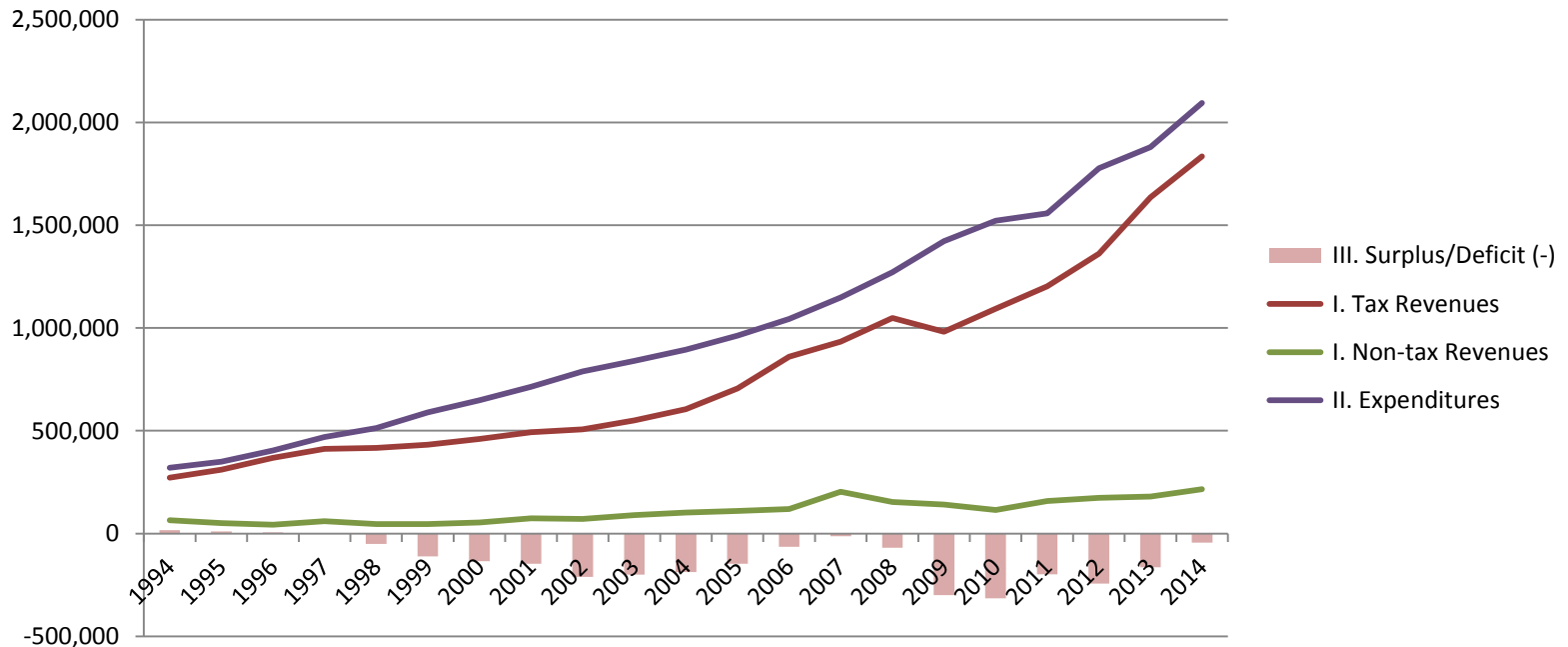
- Further uptick averted! Base case below 3% - helped by falling fuel prices and assuming faster turnover at the ports





Fiscal Position

Falling deficits as tax revenues close in on expenditures...

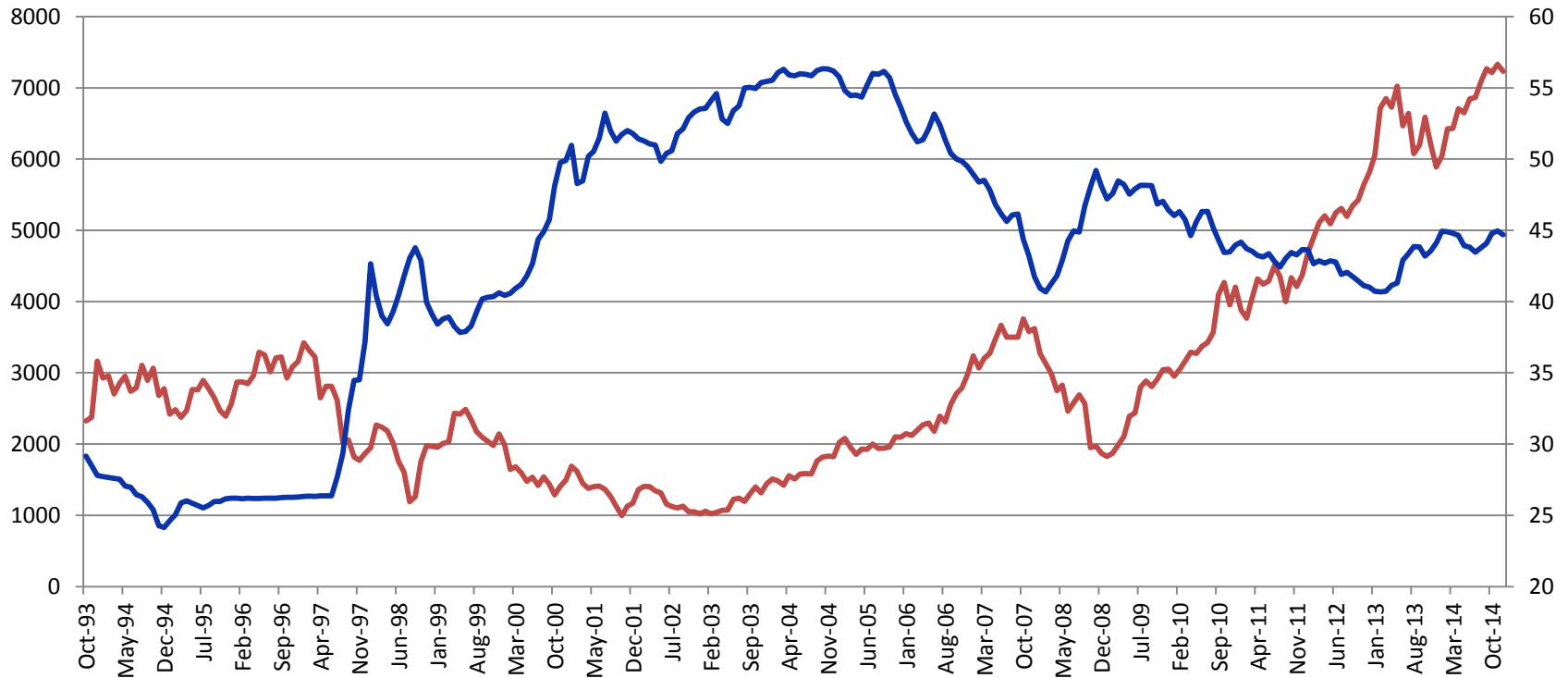


Allowing for low interest rate regime!



Stocks and Peso

- Peso and stocks moving against each other!

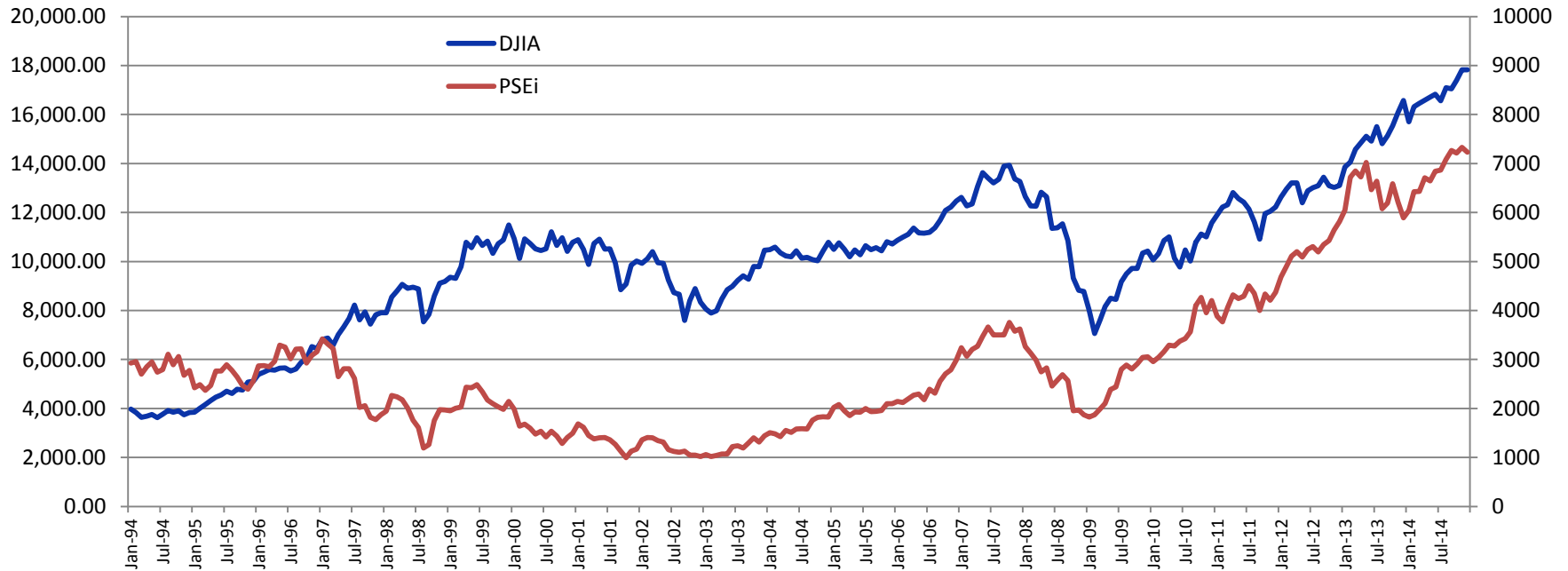


Peso strongly affected by Remittances, US interest rates and equities



Equities in 2015

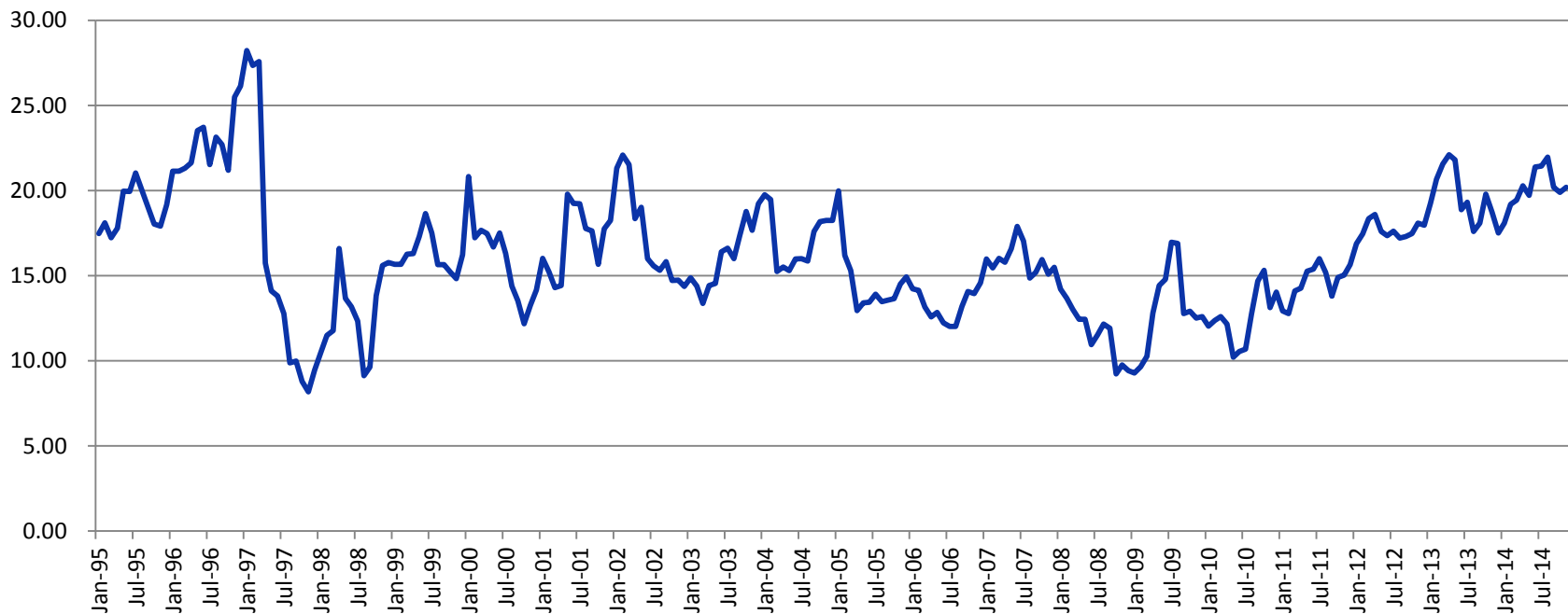
- US no longer a daily predictor of the PSEi





Valuation on the high side?

- PSEi P/E still high for 2015 but current level of 20% is within 20 year average!

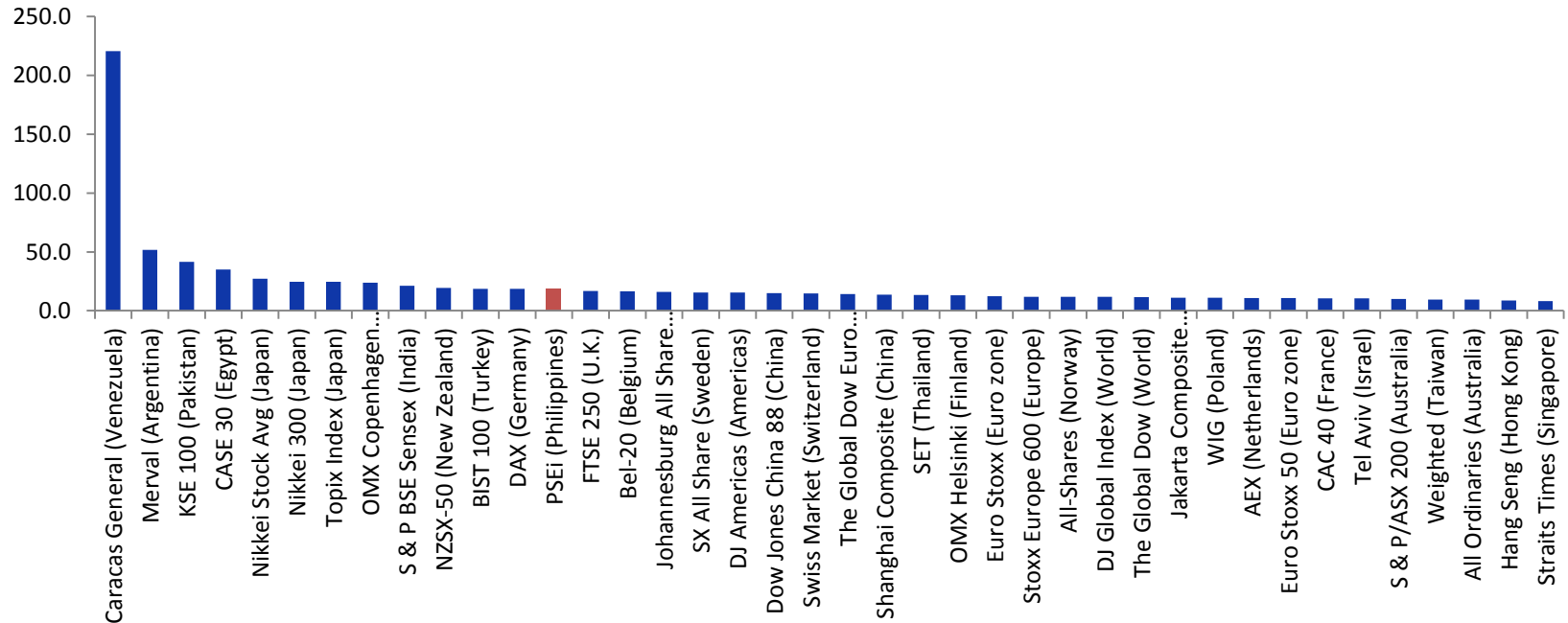


PE premium to GDP growth is about 11



Performance of Top 40 stock indices for 2011-2014

2011-2014



Philippines at 13th – there may still be room for a Papal Bull Run!



Expectations

INDICATOR YEAR-END	FORECAST
GDP	6.2 - 6.4 %
EXCHANGE RATE (AVERAGE)	44 – 46
INTEREST RATE (91 DAY TBILL)	1.0 – 1.5%
INFLATION	Average 1.7 - 2%
PSEi	Year –end (Min 5% 7,600 -Max 10% 8,000)
REMITTANCES GROWTH	4%



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THANK YOU AND GOD BLESS!