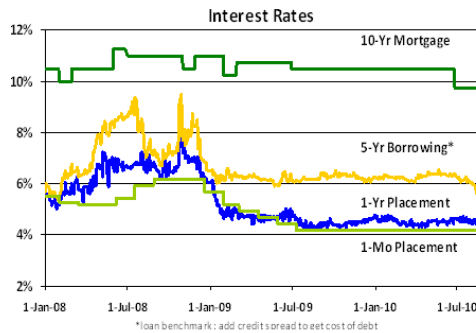
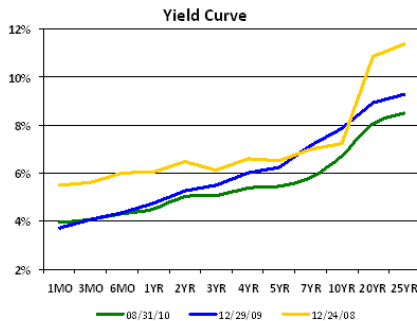


## 1. Interest Rates

PDST-R2						
Tenor	08/31/10	Average		Δ in basis points		
		2009	2008	Mo. Prior	YTD	vs 2008
3MO	4.10%	4.23%	5.52%	3	3	(153)
1YR	4.53%	4.64%	6.39%	(7)	(22)	(152)
5YR	5.47%	6.23%	7.37%	(60)	(78)	(107)
7YR	5.81%	7.12%	7.72%	(80)	(135)	(119)
10YR	6.71%	7.80%	8.08%	(79)	(116)	(54)
25YR	8.50%	10.09%	10.11%	(37)	(77)	(288)

Source: Philippine Dealing System, Bloomberg



- Secondary yields dropped by an average of 16 bps WoW due to the higher-than-expected GDP growth in the 2Q and manageable inflation. With the economy improving, the market is of the view that government is leaning on cutting spending and will be less aggressive on borrowing. With less borrowing, there is less pressure on the supply side of securities. Also, with manageable inflation, rates are expected to stay even in the next policy meeting. Rates for 5 - 25 years benchmark dropped from 30 - 41 bps.
- The Philippine central bank last Thursday kept its benchmark interest rate at a record low as easing inflation gives it room to support the nation's economic recovery. BSP left the rate it pays lenders for overnight deposits at 4% for the 10th consecutive meetings. The decision was expected by all 15 economists surveyed by Bloomberg News.
- BSP Governor Amando M. Tetangco Jr. said it is possible for the BSP to keep its key policy rates unchanged at record lows this year despite the stronger-than-expected economic growth in the first half as well as the benign inflation outlook.
- The BSP raised upwards its inflation forecast for next year due to the continued stronger-than-expected GDP growth in the 1H of the year, higher oil prices, petitions for electricity rate hike, the imposition of the 12% VAT on toll as well as the impending MRT-LRT fare hike. BSP Deputy Governor Diwa Guinigundo said that the central bank decided to raise the inflation forecast next year to 3.25% from 3% set last July 15 but has maintained this year's forecast at 4%. The BSP has set an inflation target of 3.5 - 5.5% this year as well as 3 - 5% for 2011 and 2012.
- Deutsche Bank AG believes that inflation in the Philippines would not go beyond 5% this year giving the BSP more elbow room to keep its key policy rates at record lows amid the stronger-than-expected economic growth in the first half of the year.
- The 7-year T-bond fetched a remarkably lower rate at yesterday's auction due to a very liquid market.

7 Years (Re-issue)	
Total Offering	8.5 Bn
Total Tender	23.57 Bn
Total Award	8.5 Bn
Average Yield	5.7200%
High	5.7450%
Low	5.6920%
Δ from previous (bps)	(108.90)

## 2. Foreign Exchange

Foreign Exchange						
Currency	08/31/10	Average		% Δ		
		2009	2008	Mo. Prior	YTD	vs. 2008
\$/PHP	45.370	47.622	44.479	-0.37%	-1.80%	-4.5%
\$/THB	31.3000	34.3250	33.3660	-9.04%	-5.96%	-9.8%
\$/IDR	9.048	10.339	9.674	1.09%	-3.64%	-17.0%
\$/INR	47.0450	49.4004	43.1445	1.94%	1.13%	-3.44%
\$/HKD	7.7802	7.7517	7.7865	0.18%	0.33%	0.4%
\$/SGD	1.3552	1.4539	1.4152	-0.49%	-3.32%	-6.2%
\$/CNY	6.8074	6.8314	6.9494	0.48%	-0.29%	-0.2%
\$/JPY	84.5300	93.5660	103.3158	-2.25%	-8.50%	-6.3%
\$/BRL	1.7602	2.0035	1.8293	0.00%	1.13%	-24.5%
\$/RUB	30.8305	31.7473	24.8771	1.85%	2.92%	4.9%
\$/CAD	1.0617	1.1410	1.0661	2.96%	1.3%	-1.28%
EUR/€	1.2687	1.3946	1.4713	-2.43%	-11.9%	-9.8%
GBP/£	1.5405	1.5654	1.8527	-1.10%	-4.6%	6.0%

Source: Philippine Dealing System, Bloomberg



- The peso made a moderate comeback due to positive GDP data and strong regional currencies until Friday when demand for dollar shot up. The recent developments in the offshore currency markets curbed the peso's recovery, limiting overall gains. The peso slightly improved by 16 centavos stronger WoW to close Pph 45.37.
- The offshore market remained cautious following Wall Street's 1.47% drop on Monday amid the latest signs the economic recovery is slowing down. Concern was also raised over the strength of the US recovery with Fed officials noting "increased downside risk" to the growth outlook with any further external shock likely to cause "significant slowing in growth."

## Global Equities

Asia	08/31/10	End 2009	End 2008	%Δ		
				Mo. Prior	YTD	vs. 2008
PSEI	3,566.23	3,052.68	1,872.85	4.06%	16.82%	90.42%
HANG SENG	20,536.49	21,872.50	14,387.48	-2.35%	-6.11%	42.74%
STRAITS TIME	2,950.33	2,897.62	1,761.56	-1.25%	1.82%	67.48%
SET	913.19	734.54	449.96	6.70%	24.32%	102.95%
ICI	3,081.88	2,534.36	1,355.41	0.41%	21.60%	127.38%
<b>BRIC</b>						
BOVESPA	65,145.45	68,588.41	37,550.31	-3.51%	-5.02%	73.49%
RTSI\$ INDEX	1,421.21	1,444.61	631.89	-3.95%	-1.62%	124.91%
SENSEX 30	17,971.12	17,464.81	9,647.31	0.58%	2.90%	86.28%
SHCOMP	2,638.80	3,277.14	1,820.81	0.05%	-19.48%	44.92%
<b>Developed Economies</b>						
DJA	10,014.72	10,428.05	8,776.39	-4.31%	-3.96%	14.11%
S&P 500	1,049.33	1,115.10	903.25	-4.74%	-5.90%	16.17%
CAC 40	3,490.79	3,936.33	3,217.97	-4.18%	-11.32%	8.48%
DAX	5,925.22	5,957.43	4,810.20	-3.62%	-0.54%	23.18%
FTSE 100	5,225.22	5,412.88	4,434.17	-0.62%	-3.47%	17.84%
Nikkei 225	8,824.06	10,546.44	8,859.56	-7.48%	-16.33%	-0.40%

## 4. Market Movers/News

- Philippine economic growth unexpectedly accelerated last quarter to the fastest pace in three years as consumer and government spending increased. GDP increased 7.9% from a year earlier, compared with a revised 7.8% gain in the three months through March, the NSCB said today. That's more than the 6.3% median forecast of 14 economists surveyed by Bloomberg News, and is the fastest pace since the 2Q of 2007.
- Double-digit manufacturing growth was sustained in June, the government reported, a result industry officials said was due to hefty exports coupled with improving demand. Factory output, as measured by the volume of production index, grew by 23.4% in June from a year ago but was slower than May's 25.5%, the Monthly Integrated Survey of Selected Industries showed. Manufacturing posted a 15% slump in June last year.
- The BOI has expressed confidence that an all-time high level of investments worth Php400 Bn will be recorded this year. The BOI data showed that from January to July, committed investments reached Php171.8 Bn, 297% higher than the Php43.23 Bn worth of investments registered during the same period in 2009.
- The BSP believes that there is more than enough liquidity in the system to finance the expansion projects of companies including major infrastructure projects to be undertaken through the public-private partnership program of the Aquino administration without putting additional pressure on inflation. For one, SDA placements by banks with the BSP went up by 32% or Php220- 909 Bn as of August this year from Php689 Bn as of the same month last year.
- The government is eyeing to issue 10-, 20- or 25-year T-bonds for its planned bond swap which existing bondholders may exchange for the shorter-term papers they are currently holding. National Treasurer Roberto Tan said there is no final decision yet on the amount that would be issued but confirmed that the maximum amount allowed by the BSP is Php 6 Bn.
- Globe Asiatique Realty Holdings Corp. plans to list its shares on the PSE by the end of next month, a filing showed yesterday. The property developer, which will also be the first company to hold an initial public offer (IPO) this year, is selling 170.46 Mn primary and secondary shares at a price ranging from Php6.50 - 10. The offer is seen to raise up to Php3.3 Bn. Also on offer is an overallotment option for 168.7 Mn common shares which will add as much as Php1.68 Bn to the IPO. Proceeds from the IPO will be used to fund projects such as its GA Sky Suites and Corporate Tower, on Edsa corner Quezon Avenue in Quezon City, and housing developments in Bacoor, Cavite and in Mabalacat, Pampanga. Globe Asiatique tapped BDO Capital and Investments Corp. as underwriter and issue manager. The offer period will run from September 15 to September 22 with the listing date set on September 30. The final offer price will be set on September 10.

- 2-Sep US Aug. Vehicle Sales  
US 2Q Non-farm Productivity
- 3-Sep US Aug. Change in Private Payrolls  
US Aug. Change in Non-farm Payrolls  
US Aug. Unemployment Rate
- 6-Sep Philippines to Sell PHP1.5 Bn 91-day Bills  
Philippines to Sell PHP3.0 Bn 182-day Bills  
Philippines to Sell PHP3.5 Bn 364-day Bills
- 7-Sep Aug. Inflation  
July Bank Lending  
Aug. Foreign Reserves  
July Money Supply
- 9-Sep US July Trade Balance  
July Exports
- 14-Sep US Aug. Monthly Budget Statement  
US Aug. Advance Retail Sales  
Philippines to Sell PHP8.5 Bn 10-year Bonds
- 15-Sep US Aug. Imports  
US Aug. Capacity Utilization  
July Unemployment Rate  
July Remittances

16-Sep US 2Q Current Account Balance  
US Aug. Inflation  
20-Sep Aug. Budget Deficit/Surplus  
Philippines to Sell PHP1.5 Bn 91-day Bills  
Philippines to Sell PHP3.0 Bn 182-day Bills  
Philippines to Sell PHP3.5 Bn 364-day Bills  
Aug. Balance of Payments  
23-Sep US Aug. Leading Indicators  
28-Sep US Sep. Consumer Confidence  
July Total Imports  
July Trade Balance  
Philippines to Sell PHP8.5 Bn 25-year Bonds  
30-Sep US 2Q GDP  
2-Oct US Sep. Vehicle Sales  
5-Oct Sep. Inflation  
6-Oct Aug. Bank Lending  
Aug. Money Supply  
7-Oct Sep. Foreign Reserves  
Overnight Borrowing Rate  
8-Oct US Sep. Change in Private Payrolls  
US Sep. Change in Non-farm Payrolls  
US Sep. Unemployment Rate

Source : Bloomberg, bank commentaries (ANZ, BPI, BDO, Citi, ING), and broadsheets

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