

The
MARKET CALL
Capital Markets Research



FMIC and UA&P Capital Markets Research

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Tepid 2011 Gives Way to Optimism in 2012

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The Philippine economy expanded by a tepid 3.7% in both Q4 and the full year of 2011. Export demand was weak, and government was under-spending its budget. The Services sector supported by real estate, financial intermediaries, and business process outsourcing (BPO) gains continued to provide the impetus for growth in the economy.

Even as the economy performed below expectations in 2011, analysts are optimistic about accelerating growth in 2012. The National Statistical Coordination Board's (NSCB) Leading Economic Indicator index had shown continuing gains into 2012-Q1 for three successive quarters. The latest reading for 2012-Q1 was 0.238 or 10 times higher than the 0.023 reading in 2011-Q2. The latest Meralco electricity sales in December confirm the accelerating pace of economic activity, and the trend of lower inflation gives room for monetary policy to ease further. Moreover, Overseas Filipino Workers' (OFW) remittances will likely remain robust, giving impetus to consumer spending.

Q4 GDP Growth Improves Slightly to 3.7%

Gross Domestic Product (GDP) growth for 2011-Q4 amounted to 3.7% which was only a tad higher than the revised 3.6% expansion in Q3 due to the sluggishness in government spending, the decline in electronics exports, and a disappointing slide of the agriculture sector. GDP growth was significantly slower than the 6.1% pace in the same quarter of 2010. The annual GDP rate for 2011 resulted in a mediocre 3.8% growth, which to belabor the obvious, was far lower than 7.6% annual growth rate of 2010. With slower appreciation of the peso, Gross National Income (GNI) rose by 3.5%, a decent improvement over the revised 2.1% posted in the previous quarter.

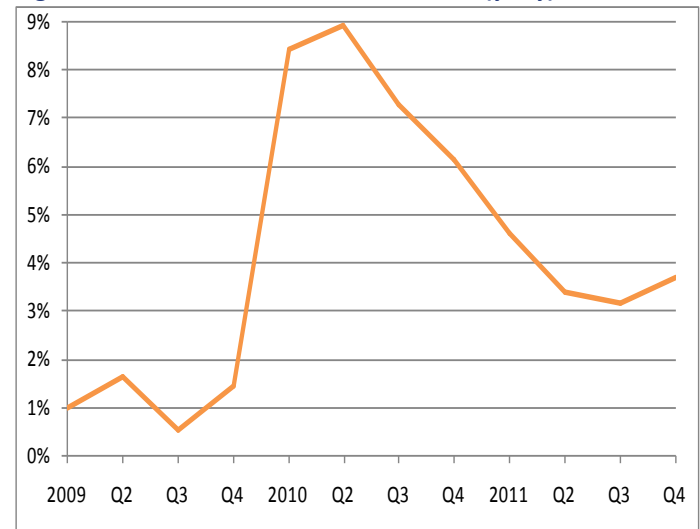
The year ended with GDP expanding by 3.7% and GNI managing to improve by only 2.8%. The Service sector provided the largest boost by gaining 5.9%, while Industry pulled down the average with a sub-par 2.5% rise. Agriculture did better than the previous year with its 2.4% growth, but this could have been higher had Q4 output not declined. On the demand side, while private and public consumption spending were strong, it was Investments that provided the lead with an increase of 13.2%, despite a slight slowing in Q4.

From the supply or production side of the economy, the Agriculture sector pulled down the recovery with a decline of 2.5% in Q4, a reversal of the revised 2.1% gain in Q3 due to floods which damaged rice and corn

production. The Industry sector managed a modest 2.5% growth, an improvement from 0.8% in Q3, in spite of Mining & Quarrying and Electricity-Water-Gas suffering output declines in excess of 6%. Services remained the brightest sector of the economy, accelerating by 5.9% in Q4 from 5.4% in the previous quarter with all sub-sectors remaining in positive growth territory.

Agriculture's dismal performance was due mainly to a fall in rice and corn production by 8.7% and 9.7%, respectively. Gains in the lower weighted sugar and poultry industries, with increases of 24.4% and 5.2% respectively, could not carry the sector.

Figure 1 - Gross Domestic Product Growth (y-o-y)



Source: National Statistical Coordination Board (NSCB)

Despite the overall weaker performance in 2011, private consumption spending still managed a 6.1% gain, while Investments turned in double-digit growth.

For the Industry sector, the Construction sector revved up an 11.2% pace with the National Government (NG) infrastructure spending up by 49.4%. Manufacturing slackened to a 2.2% gain from a revised 3.8% uptick in Q3. Industries with positive growth could only equal the number of industries that declined. The biggest falls were in Basic Metals (-25.8%), Radio, TV & Communication (-21.8%) and Office, Accounting & Computing Machinery (-17.0%) where the latter two reflect the slowdown in electronics exports. Among the sub-sectors that showed output decreases: Mining & Quarrying had a 6.5% decline, while EGW dropped by 6.2%. Mining was pulled down by a massive 27.1% plunge in gold output which was probably misstated as gold producers practically stopped selling to the BSP and instead went to the informal markets due to tax issues with the Bureau of Internal Revenue. Crude oil output dropped by 11.8% as productivity in oil extraction continued to decline.

In the Services sector, the highest increase was Real Estate & Business Activities which posted a 9.2% growth indicative of the bullishness in the property market and the continued expansion of business process outsourcing (BPO) firms. Other Services (+7.9%) and Financial Intermediaries (+6.8%) followed suit with the latter counting on heavy trading gains and increased demand for real estate loans.

Viewed from the demand side, household consumption expenditures and government consumption spending resumed their positive trend while net exports turned for the worse. Household Final Consumption remained robust increasing by 6.7% although a touch lower than the 6.8% gain in Q3. In Q4, we saw Capital Formation (Investments) reverse to a 4.3% decline from a vigorous 28% rise in Q2. As in the previous quarter, it was the change in inventories that made the negative difference since construction and durable equipment spending were still positive.

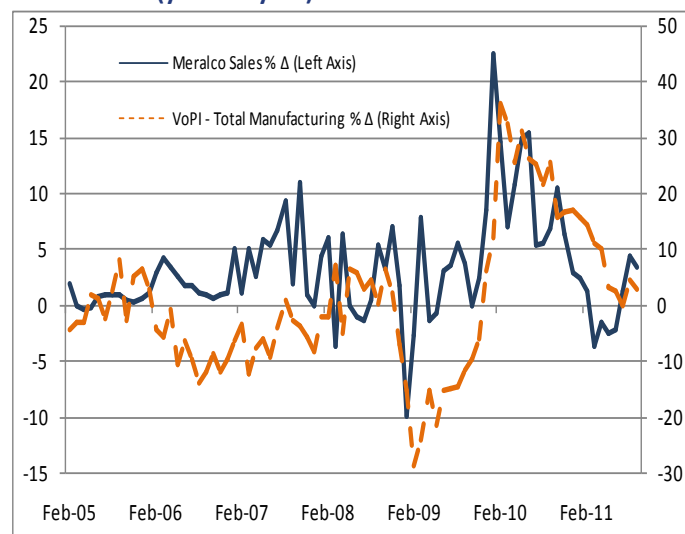
On a seasonally adjusted basis, GDP growth (quarter on quarter) accelerated slightly to 0.9% from 0.8% in Q3 and certainly faster than the 0.2% recorded in Q2.

With the global economy still slowing down, the optimism is based on the strength of domestic demand. Despite the overall weaker performance in 2011, private consumption spending still managed a 6.1% gain, while Investments turned in double-digit growth. To be sure, government spending will play an important part in GDP growth for 2012. Based on its 2011-Q4 spending and the prospects of more Public-Private-Partnership (PPP) projects coming on stream, there should be sufficient stimulus from government. Moreover, the low interest rate regime should encourage more private residential and commercial construction in the coming quarters. The target GDP growth rate of 5-6% for this year, 2012, is within the reach, given the low base year effect and substantive growth drivers.

Meralco Electricity Sales Rise Most in December

Monthly Meralco electricity sales, a proxy for economic activity, rose by 5.5% in December – its highest in 2011. The growth registered in December 2010 was only 3.0%. The December figure was a further acceleration from the 4.8% gain in November and 0.8% in October. The main driver was the 12.1% expansion in sales to industrial customers which was also its best record for 2011 – the fastest among the 3 major sectors. Its average growth in Q3

Figure 2 - Meralco Sales & Volume of Production Index Growth Rate (year-on-year)



Source: Meralco, National Statistics Office (NSO)

The VoPI dropped by 5.2% in the latest month, although this was an improvement from -10.8% in October.

of 8.7% further quickened to 9.0% in Q4. All told, the average growth of Meralco sales in Q4 was 3.7%, a faster pace than the 3.0% average for Q3.

The y-o-y growth of each sector remained positive for December. Commercial sales expanded by 4.5% against a 1.2% rise in November. However, residential sales' growth had a slowdown to 0.9% from 3.8% in the previous month.

Meanwhile, the Volume of Production Index (VoPI) data based on the National Statistics Office's Monthly Integrated Survey of Selected Industries (MISSI) for November showed a different picture. The VoPI dropped by 5.2% in the latest month, although this was an improvement from -10.8% in October.

The decline in VoPI was mainly due to the sizeable declines in output of wood and wood products (-28.7%), food manufacturing (-28.2%), machinery except electrical (-20.6%), miscellaneous manufactures (-12.1%) and textiles (-11.2%). Nevertheless, 17 out of the 27 industries tracked down by MISSI posted gains for the month.

Inflation Eases to 4% in December

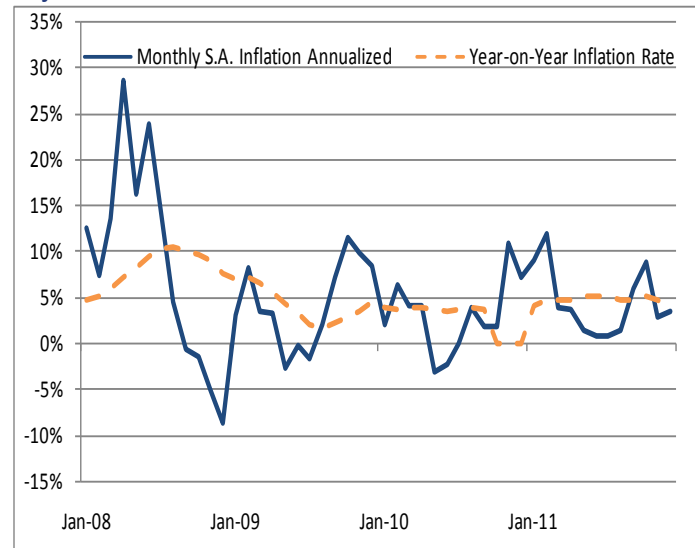
Lower prices for rice and other food, electricity rates, and petroleum products pulled consumer prices lower in December causing the headline inflation rate to further decelerate to 4.0% from 4.7% in November¹. Core inflation also decreased to 3.4% from 3.7% in the previous month. The full-year average for 2011 increased to 4.5% from the 3.8% in 2010. This was at the upper range of the BSP's target inflation of 3-5% for 2011, but much in accord with The Market Call's 4.5% outlook.

The easing year-on-year (y-o-y) inflation can be seen across all product categories in the Consumer Price Index (CPI) with significant slowdown in Food-Beverages-Tobacco (FBT), Fuel, Light & Water (FLW), and Services. Price increases in FBT with nearly 50% share in consumer expenditure budget eased to 4.0% from 4.7% in November. FLW

1. This is still based on the 2000-base year CPI, which we had been using since the beginning of 2011. The equivalent inflation rate on the new 2006-base year CPI was 4.2% in December and a full-year of 4.8%. We will start using the new data series in the next TMC issue.

eased to 7.6% from 10.1% representing the second largest weighted deceleration. Services followed closely with a full percentage point clipped from November to register a 5.3% rise in December. Electricity charges and LPG prices abated, and petroleum products showed weaker growth as West Texas Intermediate (WTI) crude oil gains slowed to 10.5% from 15.3% in November.

Figure 3 -Inflation Rates Annualized (2008-2011) Seasonally Adjusted vs. Year-on-Year



Source: National Statistics Office (NSO)

In the m-o-m data, overall prices fell by 0.2% in December compared to a 0.4% gain in the previous month. The three product categories earlier cited were also the same items that led the decline. FLW posted the largest slide of -0.3%. FBT and Services both fell by -0.2% from the previous month. Lower rice prices had the biggest impact for FBT, although vegetables, oils and fats, and sugar & confectioneries also had relatively lower price tags. The slowdown in cost of Services was primarily due to lower pump prices of gasoline and diesel. The other 3 product categories had minimal upticks.

Seasonally adjusted annualized rates (SAAR) declined sharply in December from 5.7% to -2.1%. The SAAR growth rate for food slipped to -1.3% from +1.5% in November

Money growth, after the double digit growth rates of M2 and M3 in June, trended downward to single-digit rates.

while non-food commodities had an even larger fall from +4.2% in November to -0.9% last month. The major reason for lower December inflation was the reduction in the prices of heavily weighted items such as food commodities i.e. rice, cooking oil, etc. and in the pump prices of gasoline and diesel nationwide together with a decrease in electricity rates.

The downward trend of consumer price inflation appears to be fairly well set and we expect headline inflation rate to go below 4% in January and further down to 3% by February, with the quarterly rate at 3.2%. These are estimated using the new 2006-base year CPI.

Monetary Board Cuts Policy Rate by 25 bps to 4.25%

As generally expected, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) finally lowered the last policy rate by 0.25% in its January 19 meeting. The Reverse Repurchase rate was, thus, cut to 4.25% while Repurchase rate was lowered to 6.25% from 6.5% on January 24, 2012. Interest rates on special deposit accounts (SDAs) were also reduced accordingly. However, BSP retained the current reserve ratio, which is now under study. The MB assessed inflation to be manageable and monetary policy could give way to economic expansion in the face of lower-than-expected GDP growth in 2011.

Figure 4 - M3 Money Supply Growth Rates (y-o-y)



Source: Bangko Sentral ng Pilipinas (BSP)

Money growth, after the double digit growth rates of M2 and M3 in June, trended downward to single-digit rates. Gains in M2 and M3 in November were minimal, expanding only by 7.2% in November from 6.9% in the previous month.

For the month of November, money infusion into the banking system reflected by Reserve Money (RM) was actually much higher at 17.30% compared to October's -11.57% growth (y-o-y). November RM was characterized by lower Net Foreign Asset (NFA) growth of 24.64%, the lowest for the year. This means that the increase in liquidity mopping measures was even larger resulting to a contraction of Net Domestic Assets. Funds parked in BSP via SDAs rose by 34% to P 1.66 trillion last year.

With M2 & M3 growth lower than that of RM, it would imply that the money multiplier went down by 8.6% in November. This means that banks were still careful in their lending activities, channelling more of their clients' funds to SDAs. Given expected average inflation rate of below 4% in 2012, BSP could help the economy's expansion more by reducing further its key policy rates including that of the SDAs.

Exports Falter, Plunge by 19.4% in November

Exports continued to be battered by a weak global economy plunging by 19.4% in November following a revised 14.6% drop in the previous month. The main victim was electronics exports which slumped by 34.6% after a decline of 36.5% in October. Year-to-date export revenues amounted to only \$45.3 B which was 4% lower than 2010's \$47.2 B.

The weak demand for electronics products abroad took its toll on the export of manufactured products which declined by 23.9%, since electronics products accounts for 56.3% of total exports. Meanwhile, manufactured products took the lion's share of exports at 85.7%.

Among electronic products, the semiconductor component, which comprised 41.5% of total exports, slipped by 29.5%. The bigger losses arose from electronic data processing exports which suffered a 55.1% fall. Actually, 4 out

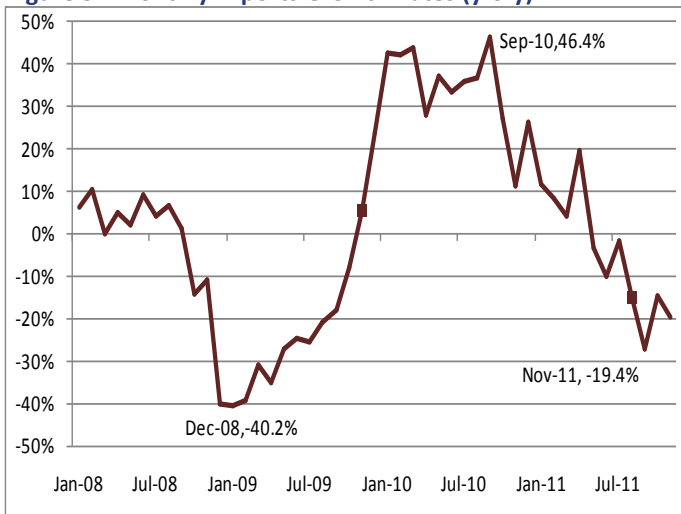
Japan remained the largest export destination capturing 21.6% of all exports.

of 10 categories of electronic products posted gains, but the heavy-weighted items did the biggest damage in spite of 9 out of 16 manufactured product classifications being in positive territory.

Among the commodities that bucked the trend were cathodes and section of cathodes of refined copper (+80.8%), gold (+31%), woodcrafts and furniture (+29.6%), and ignition wiring set and other wiring sets used in vehicles, aircrafts, and ships (+9.3%). On the other hand, top losers after electronic products were Coconut Oil (-26.1%), Metal Components (-25.8%), other products manufactured from materials imported on consignment basis (-21.7%), and articles of apparel and clothing accessories (-5.4%).

Fortunately, exports to Japan moved up by 8.1% while those to the US were slightly up by 2.5%. It was the exports to China that suffered a steep decline of 30% even though its share in total exports was 13.9%, or only 0.8% below of that to the US. Japan remained the largest export destination capturing 21.6% of all exports. Nevertheless, the Department of Trade and Industry (DTI) has set an ambitious \$80.2 B export target for 2012.

Figure 5 - Monthly Exports Growth Rates (y-o-y)

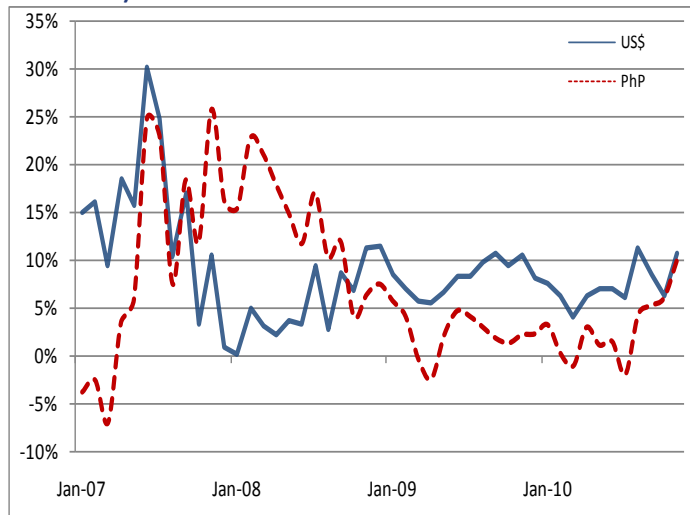


Source: National Statistics Office (NSO)

OFW Remittances Gain by 10.6% in November

Overseas Filipino Workers' monthly remittances recorded an all-time high of \$1.78 B in November (10.6%) higher compared to the same month of 2010. The November YTD figure was \$18.3 B (7.3%) higher than the same period in 2010. The higher growth was due to the sheer number of OFWs deployed in different countries experiencing population decline and needing labour. The major sources of remittances remained to be U.S., Canada, Saudi Arabia, U.K., Japan, United Arab Emirates, Singapore, Italy, Germany, and Norway.

Figure 6 - OFW Remittances Growth Rates (y-o-y in US\$ and PhP Terms)



Source: Bangko Sentral ng Pilipinas (BSP)

Another positive news was the 10% increase (y-o-y) of remittances in peso terms, a good increase from 6% posted in October 2011. However, even though there was a huge increase in OFW remittances in 2011 relative to 2010, the gradual but stable appreciation of peso offset the overall peso amount of the remittances. From the appreciated peso value of P43.49 in November 2010, the same month of 2011 saw a P43.27 peso value – a slight increase of 2.3% (y-o-y). But, seeing the small and gradual depreciation of peso for the month of December 2011 to P43.79/\$1, there would likely be more peso proceeds for beneficiaries in the month.

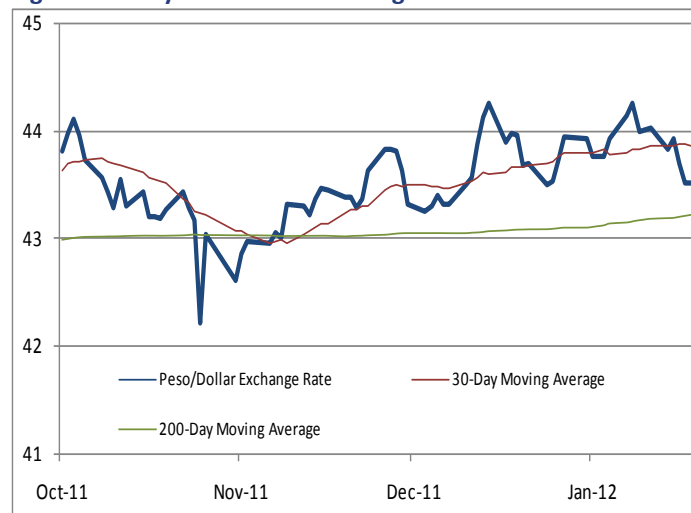
For the first few months of 2012, we expect the peso to be within the range of P42.50 to P44.50 with a bias towards the lower end.

For 2011, BSP is projecting a higher remittances target of \$20.1 B compared to the 2010's \$18.8 B. This target is easily attainable since even with a growth of less than 7% in December. The peso depreciation in December 2011 should boost peso remittance proceeds which would have a positive impact on consumer spending.

Peso Reverts to Appreciation Mode in Late-January

After breaching the P44 mark, with a low of P44.25 in January 10, the peso appears to be appreciating starting mid-January. From a 30-day moving average (MA) of Peso-Dollar exchange rate of P43.79 last December 2010, the peso had a fairly steady depreciation streak in the first half of the January when it averaged P43.95. The influence of external headwinds the lingering Euro-zone debt crisis and renewed rise in crude oil prices seem to have dominated the start of the 2012.

Figure 7 - Daily Peso-Dollar Exchange Rate



Source: Bangko Sentral ng Pilipinas (BSP)

Based on Figure 7, it appears that the peso is back to appreciation mode with the exchange rate falling below the 30-day MA, although it remains above the 200-day MA. The peso got a boost, not only from the roaring stock market, but also from the successful issuance of \$1.5 B NG 25-year dollar-denominated bonds (ROPs) on January 4 which was heavily oversubscribed.

The peso weakened in the first half of the month primarily due to fears that Greece would default on its debt, even as the US economy was showing signs of regaining strength. The second half rally reflected increased preference among investors to be in the robust Asian economies. For the first few months of 2012, we expect the peso to be within the range of P42.50 to P44.50 with a bias towards the lower end.

Outlook

2011-Q4 and full-year 2011 GDP growth was below-expectations, but we think the economy has turned the corner.

- Leading economic indicator (LEI) of NSCB shows a continuing rise for 2012-Q1, while actual Meralco electricity sales growth, especially to the Industrial sector, has been accelerating in 2011-Q4, and reached its fastest growth in 2011 in December. Most analysts have already discounted the mediocre performance of 2011, and are looking at 2012 with greater optimism despite the continuing concerns over the unresolved Euro-zone debt crisis. NG should be able to spend by at least 20% higher in Q1, as it has improved the expenditure review and disbursement process, and P140 B has been readied for infrastructure spending.
- Supportive of higher growth expectations also is the inflation outlook. We see the downward trend continuing through most of the year. We expect headline inflation rate to average below 4% in Q1 from 4.6% in the previous quarter, as crude oil prices have stabilized, albeit at high levels. It is also likely to average slightly below 3% by Q2 as weakness in the Euro-zone puts less pressure on commodity prices.
- The weak economic growth up to 2011-Q4 and the prospect of significantly lower inflation for the year should give room to the monetary authorities to further slash the policy rate by at least 25 bps to 4%, as early as March 2012. There is even the possibility of a final 25 bps rate cut in Q2 should inflation numbers turn out much better than expected.

It will be the domestic demand that will drive growth in the year, especially in Q1

- While exports are not expected to be a growth leader, considering the Euro-zone debt overhang, it should rise modestly in low single-digits in Q1, considering that the economic union only accounts for 12% of total exports from 18% in 2000. It will be the domestic demand that will drive growth in the year, especially in Q1.
- OFW remittances growth may slow down in Q1 but the growing attractiveness of the country’s financial markets would continue to bring in net portfolio inflows. While the peso will have a slight appreciation bias, this will be moderated by BSP’s cuts in the policy rate and further build up of foreign exchange reserves.

Forecasts				
Rates	Jan	Feb	Mar	Apr
Inflation (y-o-y %)	4.0%	3.2%	3.3%	2.9%
91-day T-Bill (%)	2.1%	2.0%	2.0%	2.0%
Peso-Dollar (P/\$)	43.63	43.35	43.08	42.93
10-year (%)	5.9%	5.9%	5.8%	5.8%

Source: Authors’ Estimates

Year Starts with a Bang, While Dragon Waits

The downgrade of 9 countries in Europe by the credit rating agencies have sent investors diversifying further into the improving credit quality of emerging markets such as the Philippines. With Standard & Poor's raising the outlook of the country's rating from "stable" to "positive" in December after an upgrade in June 2011, investors have subjectively priced Philippine sovereign debt within the investment grade spectrum. While Indonesia's debt had been recently upgraded to investment grade (Baa3), Philippine sovereign bonds have been trading at tighter spreads over the U.S. treasury yield curve than the former. This can be seen in the sale of dollar-denominated 25-year global bond issue of the Philippines last January 5 which has a yield lower by 37.5 bps than the 30-year global bond of Indonesia issued last January 9, relative to the benchmark US debt instrument.

Domestic inflation slowed down to 4% in December and the policy rate cut of 25 basis points by the monetary authorities on January 19 merely followed the market's drive to higher yields. 5-year FXTN yields were already trading flat to the BSP's overnight reverse repurchase rate highlighting the market sentiments on where interest rates ought to be.

Meanwhile, a January-November fiscal deficit of the national government that amounted to only P93 B left a lot of room for the country's debt-to-GDP ratio to fall. This sets the stage for heightened government spending in 2012. Already, President Aquino signed the P1.8 T budget which is 12% higher than the previous year's. The target deficit for 2012 is P286 B or about 2.5% of GDP.

Primary Market: Early Optimism Gives Way to Caution

The early auctions in January once more reflected the state of liquidity in the system. Short- and long-term yields continued to slide as the market bought up existing supply in

anticipation of the BSP rate cut. After the BSP announcement of a 25 bps cut, market participants chose to take profits. Positive sentiment continued to dominate trades, nevertheless, as long term yields have traded within a 5-6 bps range since the cut.

The first two auctions indicated investor anxiety that yields would be drifting lower during the year. The first auction with reissued 7-year bonds secured a 4.81% yield that is close to 21 basis points (bps) lower than the previous 7-year auction. Similarly, the auction for 10-year T-bonds (reissued 10-51 series) on January 17 resulted in an even larger fall from the previous 10-year auction of 48.7 bps to 5.18%. The bid cover was 4.25x and 3.26x of the amount offered of P9 B in each auction.

The T-bill auction on January 9 saw 91-day and 182-day rates decline by 12.6 bps and 1 bps respectively, but the 364-day T-bills fetched an average of 2.08%, which was 32.7 bps higher than the previous auction in December.

T-Bonds and T-Bills Auction Results							
Date	T-Bond / T-Bill	Offer (PhP B)	Tendered (PhP B)	Awarded (PhP B)	Tendered ÷ Offered	Average Yield	Change bps
3-Jan	7-year	9.00	38.21	9.00	4.25	4.81	-20.90
9-Jan	91-day	2.50	6.88	2.50	2.75	1.43	-12.80
	182-day	3.00	4.15	3.00	1.38	1.83	-0.50
	364-day	3.50	2.91	1.16	0.83	2.08	32.70
17-Jan	10-year	9.00	29.35	9.00	3.26	5.17	-48.70
24-Jan	91-day	2.50	4.88	1.96	1.95	1.674	24.60
	182-day	3.00	5.33	1.60	1.78	2.222	39.70
Totals	All Auctions	32.50	91.71	28.22	2.82	-	-

Source: Bureau of the Treasury (BTr)

In the January 24 auction, the market sought higher yields anticipating a Retail Treasury Bond (RTB) offering in February. Thus, the 91-day yielded 1.67% while the 182-day T-bills yielded 2.22%, up nearly 25 bps and 40 bps, respectively. The Bureau rejected all the 364-day T-bills bids, P3.18 B, was less than the P3.5 B on offer.

With the BSP expecting the inflation rate to average below the 4% mid-point of its 3-5% target range, the market appears to be reflecting a similar inflation sentiment with long-term yields continuing to trade inside 200 bps over policy rates.

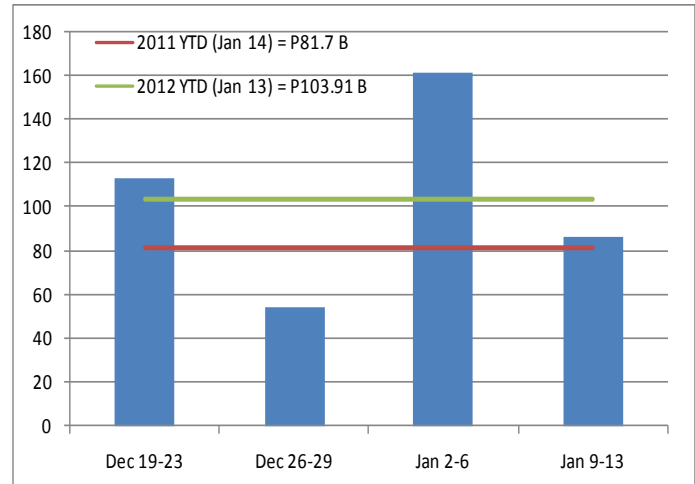
Secondary Market: Strong Demand Start

Market confidence on future inflation saw yields across the Fixed Rate Treasury Notes (FXTN) curve fairly stable over the past few months.

Trade in the secondary market at the beginning of the year was brisk with a 196.3% growth of trade volume in the first week of January from the last week of December 2011. The first week racked up P161.75 B while the second week totalled P86.22 B. Furthermore, 2012 year-to-date (YTD) of P103.91 B is 27.2% higher than 2011 YTD of P81.7 B.

Market players preferred to build up their cash positions for an RTB offering in early February resulting in a slight upward bias during this period.

Figure 9 - Trade Volume (in billions)



Source: Bureau of the Treasury (BTr)

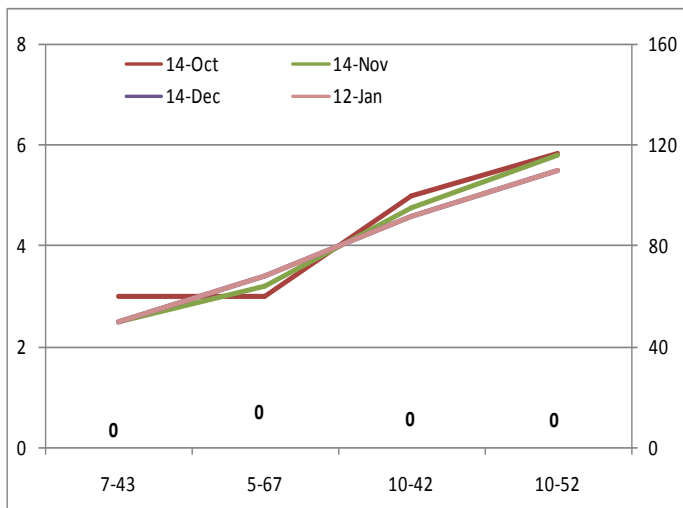
Secondary market trading volumes, however, slowed considerably in the second half of the month, as market players preferred to build up their cash positions for an RTB offering in early February resulting in a slight upward bias during this period.

Corporate Bonds: Trading Volume Down as Issuances Remain Few

Secondary trading of corporate bonds in December 2011 remained anemic, as volumes continued to fall. The value of corporate bonds traded in December was 29.3% lower than the same month in 2010, while in the November 2011, it was 11.4% less than a year ago. Note that October 2011 saw a 81.3% plunge from October 2010.

The new company to come up with the highest turnover was First Metro Investments Corporation (FMIC) with P195 M worth of papers traded in December. Power Sector Assets and Liabilities Management (PSALM) traded consistently with the highest demand except for December when it traded. Electric Development Corporation (EDC) took the second highest spot in papers traded valued at P151.5 M. PSALM and EDC show high demand despite large fluctuations through the months of the last quarter of 2011.

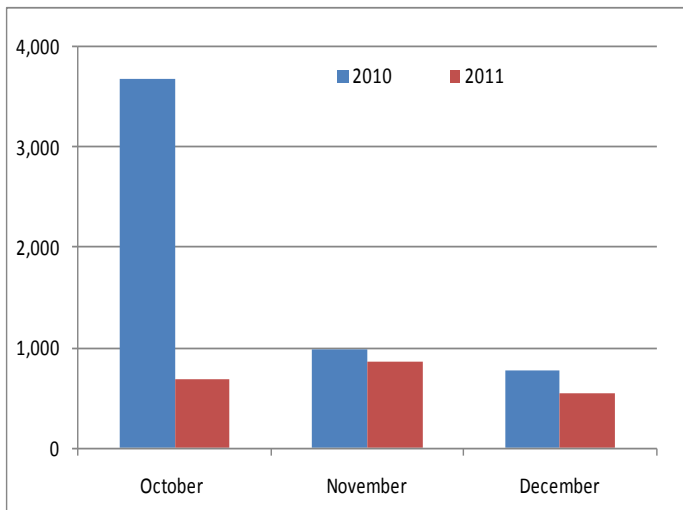
Figure 8 - FXTN Yields



Source: First Metro Investment Corp. (FMIC)

The new company to come up with the highest turnover was First Metro Investments Corporation (FMIC) with P195 M worth of papers traded in December.

Figure 10 - Total Corporate Trade Volume (in millions)

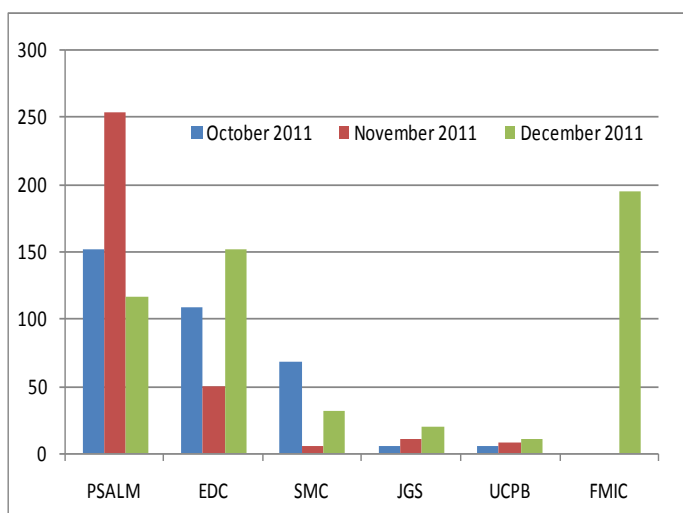


Source: Philippine Dealing and Exchange Corp. (PDEX)

Corporate Issuances:

- SM Prime Holdings successfully completed a P5 B fixed rate notes issue with 5-, 7-, and 10-year tenors at 5.8%, and 6.1% respectively to fund its P21 B capital spending for 2012 on January 12. The company has set P12 B for domestic expansion where five new malls are set to open by the end of the year which would bring the

Figure 11 - Corporate Trading (in millions)



Source: Philippine Dealing and Exchange Corp. (PDEX)

count of SM Supermalls to 46. The remaining P9 B will fund operations in China.

- Manila Electric Company (Meralco) signed with First Metro Investment Corporation as arranger and underwriter for a P3 B note facility agreement. Last January 4, Meralco issued P1 B in 7-year notes fixed at a yield of 5.5346% p.a. and P2 B in 10-year notes fixed at a yield of 5.6387% p.a. These yields represented tight pricing as these were only some 54 bps and 46 bps above the latest T-bond auction yields for the same tenors. The raised funds will be used to finance the expansion of its substation facilities in Metro Manila and to the construction of power plant project with Aboitiz Power Corp.
- Rizal Commercial Banking Corp. (RCBC) raised \$200 M from its sales of 5-year fixed rate notes maturing on January 31, 2017 priced at par with a coupon and yield of 5.25%. The sales exceeded the targeted \$150 million for the debt issuance due to robust demand from local and foreign investors. The debt sale formed part of RCBC's \$1 B Euro Medium-Term Note Program that was approved by the RCBC board in September 2011. Total orders from 54 accounts reached \$390 M, more than twice RCBC's targeted amount. Proceeds of the debt issuance will be used to finance RCBC's general banking operations and lending activities.
- Land Bank of the Philippines (Landbank) raised P10.5 B in peso-denominated unsecured subordinate debt maturing in 2022 priced at par with a coupon and yield of 5.875% on January 26. Originally, the plan was to raise only P6.5 B but it was oversubscribed by almost 2 times and so the sale was upsized to P10.5 B. The Tier 2 notes are expected to strengthen Landbank's capital ratios, allow further lending to priority sectors and fund countryside development.

ROPs: Yield Curve Bumped up Higher but Flatter

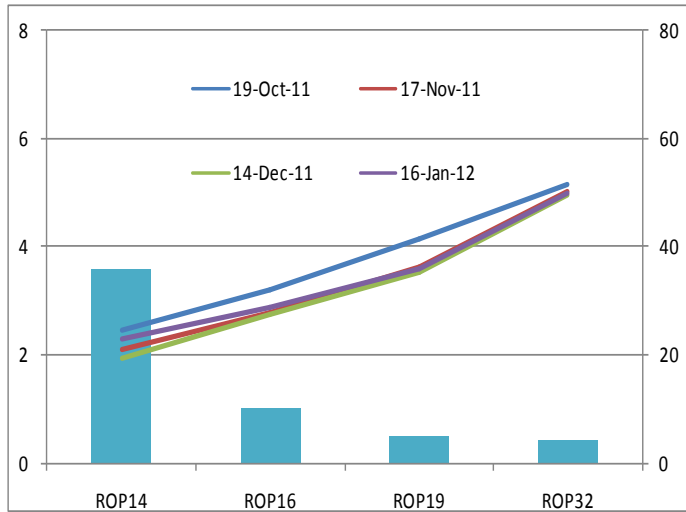
The seemingly endless saga featuring the debt crisis saw more funds moving into low-yielding U.S. Treasuries as safe haven. Thus, demand for Republic of the Philippines (ROPS) dollar-denominated bonds relatively weakened, especially at the shorter end of the yield curve.

Among other notable issuances for January is the dollar-denominated 25-year global bond issue of the Philippines last January 5.

Yields rose slightly for medium to long term bonds denominated in US\$ issued directly by the ROPs. ROP14 yields rose by 35.8 bps, ROP16 also went up but by 10.3 bps, ROP19 and ROP32 increased by 5.1% bps and 4.2% bps, respectively. The peso appreciated on reports of positive earnings of multinational firms.

Among other notable issuances for January is the dollar-denominated 25-year global bond issue of the Philippines last January 5. It matures in 2037 and was priced at par with a yield of 5.0%. The yield was 196.2 bps higher than the benchmark US debt instrument and it was oversubscribed 8 times. 35% of allocations went to investors from the US while the rest of Asia and local investors were allocated 25% each, and the remaining 15% went to Europe. The overwhelming demand for the Philippine sovereign bond was a supportive development for the government’s plan to boost economic growth with higher public spending.

Figure 12 - ROPs



Source: Bloomberg

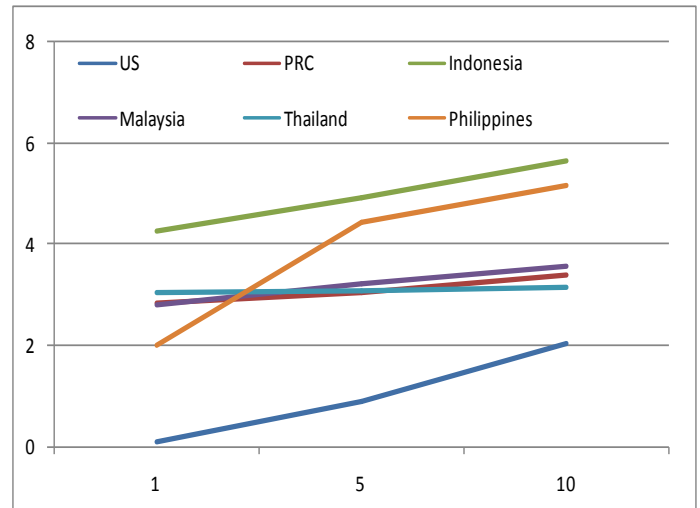
Moreover, the auction was better than Indonesia’s dollar-denominated 30-year global bond issue last January 9. It matures in 2042 with a coupon rate of 5.25% and a yield of 5.375%. The Indonesian global-bond was oversubscribed by 2.06 times but it was higher by 37.5 bps than the 25-year global bond of the Philippines relative to the benchmark US debt instrument.

ASEAN Market+1: Lower Yields Follow Policy Easing

US: There was a decrease by 0.5 bps for 1-year bonds while there were increases by 4.4 bps and 15.2 bps for the 5-year and 10-year bonds respectively. Long term bonds rose as a reflection of a more positive outlook since US Treasuries are still considered as a safer option as investors remain wary of the debt crisis fallout in the Euro-zone.

PRC: While yields for 1-year bonds rose by 44 bps, the yields for 5-year and 10-year bonds slid by 4 bps and 10 bps respectively. The Chinese bond market is opening up to foreign investors as the country posts its slowest GDP growth in 2 ½ years, at 8.9% in Q4, but only a slight easing from 9.1% in Q3. Additionally, inflation was tracked at a 15-month low with consumer prices slowing down to 4.1%, slightly ahead of the 4% market expectation, from a high of 6.5% in July. Besides, producer price inflation was at 1.7 % which is just below the 1.8 % forecast. These indications of a “soft landing” are fuelling speculations about policy rate cuts following a reduction in reserve requirement (RR) by 0.5 percentage point last December. RR was, thus, down to 21% for major banks in order to encourage lending and keep the economy expanding at present rates or higher.

Figure 13 - ASEAN Market+1



Source: Asian Development Bank (ADB)

Even as early as January, market players have been seen preferring to build up their cash positions for this issue and shying away from the 91-day T-bill market.

Spreads between 10-year and 1-year T-Bonds								
Country	1-year rate	10-year rate	Projected Inflation Rates	Real 10-year yield	10-year to 1-year Spread		Spread change (bps)	Latest Policy Rate
					Jan 2011	Jan 2012		
PRC	2.860	3.400	4.6	-1.20	70	54	16	3.5
Indonesia	7.367	5.574	5.9	-0.33	126	70	56	6
Malaysia	2.878	3.555	2.3	1.26	105	86	19	3
Philippines	2.807	8.626	4.6	4.03	133	261	-128	4.25
Thailand	3.039	3.186	3.5	-0.31	79	15	64	3.25

Source: Asian Development Bank (ADB)

* computed at current 10-year yield less projected full-year inflation

Indonesia: There was a sharp fall in the yields for the 1-, 5- and 10-year bonds by 82.9, 72.8 and 68.9 bps, respectively. The large drop in rates was primarily due to Moody's Investor Service upgrading Indonesia's credit rating to investment grade. Apart from its strong growth estimated at 6.4% in 2011, the inflation rate in December fell to 3.79%, the lowest since March 2010. Inflation had dropped successively for the last 4 months, with 4.19% in November. This has created expectations of a policy rate cut. Moreover, with its GDP valued at some \$700 B, the largest in the East Asia, outside of the Asian Tigers and China, it has been attracting foreign investments at a large scale. These were estimated to have reached a record of \$20 B in 2011.

Malaysia: The country also experienced decreases in yields by 3.9 bps for 1-year bonds, 3.3 bps for 5-year bonds, and 12.2 bps for 10-year bonds. Recently, there was a move to lower liquidity requirement of banks by the Basel Committee in order to enhance the flexibility of banks to manage a financial crisis by injecting liquidity into the financial system.

Thailand: A mild drop in 1-year and 10-year bond yields of 3bps and 3.2 bps, respectively, was accompanied by a 4.5 bps increase in 5-year bond yields. Policy rates were cut while banks pay higher deposit-rates to support business recovery and economic expansion following the devastating floods in October-November of 2011.

Philippines: 1-year bonds yields rose by 54.2 bps while the 5-year and 10-year bonds dropped down by 10.6 bps and 25 bps respectively. This may be attributed to central bank's cut in policy rates by 25 bps on January 19 to 4.25% for the reverse repurchase rate and the sharply lower inflation rate of 4% in December. These favorable developments notwithstanding, the country continued to show the steepest yield curve in the region with a 3.181% spread between 10-year and 1-year debt instruments.

Outlook

- Yields, especially at the longer end, will have a downward bias in Q1 after the BSP policy rate cut in January and another 25 bps by March. Besides, domestic liquidity is not only being boosted by NG spending but also by foreign investors who are increasingly attracted to the local bond and equity markets.
- NG will likely issue long-term Retail Treasury Bonds (RTBs) in Q1 which may pull in some P100 B into its coffers. Even as early as January, market players have been seen preferring to build up their cash positions for this issue and shying away from the T-bill market.
- While there may not be a credit rating upgrade in Q1, it is quite likely that teams from the major rating institutions will fly in to assess the situation on a first-hand basis, and at the same time talk to key economic policy makers and analysts during the quarter.

Jumping to a Strong Start for 2012

Global equity markets got off to a good start in 2012 posting robust gains in January. Signs of a Euro-zone crisis fatigue (investors looking at other issues), the economic momentum in the US, better-than-expected growth in China, and most emerging markets (EM) embarking on an easing cycle have increased investors' appetite risk. In the Philippines, the main stock index – the PSEi – breezed through all-time highs buoyed by investors' confidence in sound local macro and micro data. Current all-time high is at 4,756.78 recorded in January 24, 2012. Moving forward this year, while external woes from 2011 (Euro-zone debt crisis and fragile US economy) and the slowdown in the global economy) remain unresolved, we view the Philippine equities market to trade higher on the back of a resilient economic growth outlook, prospects of a credit upgrade, healthy corporate data, and strong foreign fund inflows.

Global Equity Market Performances (January 31, 2012)		
Country	Index	YTD Performance
India	SENSEX	11.25%
Brazil	BOVESPA	11.13%
Hong Kong	HIS	10.61%
Singapore	STRAITS	9.84%
Germany	GDAXI	9.50%
South Korea	KOSPI	7.12%
Philippines	PSEi	7.10%
Taiwan	TWII	6.29%
Thailand	SET	5.72%
Venezuela	IBVC	5.60%
Costa Rica	BCT	5.34%
China	SSEC	5.05%
France	CAC40	4.39%
US	S&P500	4.358%
Japan	NIKKEI	4.11%
Dow Jones	DJIA	3.40%
Indonesia	JKSE	3.13%
UK	FTSE100	1.96%
Mexico	IPC	0.93%

Source: Bloomberg

Macroeconomic Perspective

Asian economies are likely to slow down this year due to its trade and financial linkages in the developed world. However, we do not share the same view for the Philippines. While no economy is totally immune whenever the developed world coughs, we think the local economy will

be resilient. The reason being is that Philippine government has the capacity to stimulate growth. Healthy fiscal balance, Public-Private Partnership (PPP) underway, faster job creation, and lower inflation (giving policy makers leeway to be on easing mode) are some factors that can cushion the negative side-effects of a sluggish global economic growth (for more information see Macroeconomy section).

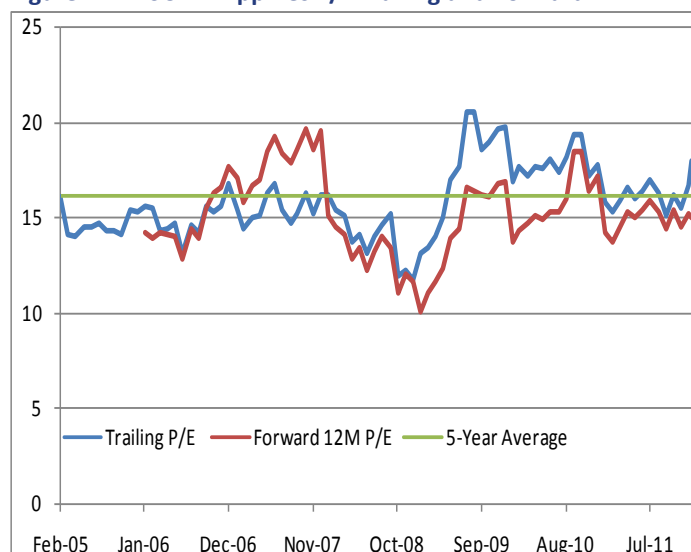
MSCI ASEAN Indices EPS Growth		
Country	Index Level (as of January 31, 2012)	EPS Growth
Thailand	431.43	24.36%
Philippines	772.06	19.45%
Indonesia	4902.38	16.80%
Malaysia	560.39	11.86%
Vietnam	508.21	-3.78%
Singapore	1562.08	-12.99%

Healthy Micro Condition

Corporate fundamentals remain constructive and supportive of the equities market. Consensus earnings per share (EPS) growth of the Morgan Stanley Capital International (MSCI) Philippines index is at 19.45% for the next 12 months, the second highest among MSCI countries in the ASEAN. Valuations-wise, however, trailing price-to-earnings (P/E) ratio of the MSCI Philippines index is at premium to its 5 year average. Nevertheless, we see it to be undemanding given the forward 12 months P/E remains

For investors seeking returns in a yield starved environment, Philippines equities present an attractive reward over risk opportunity.

Figure 14 - MSCI Philippines P/E Trailing and Forward

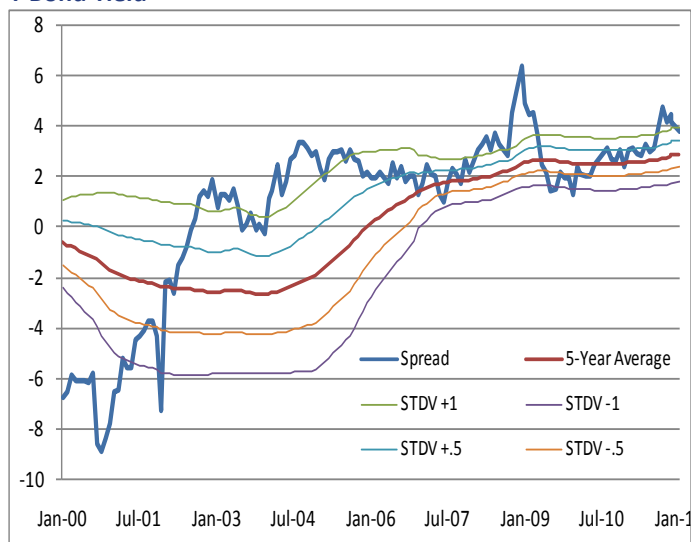


Source: Bloomberg

well below the average.

On a risk to reward perspective, the spread between MSCI Philippines earnings yield and US 10-year T-bond yield remains wide. This makes Philippine equities more attractive over safer assets. Based on our market timing model

Figure 15 - MSCI Philippines Earnings Yield Minus US 10-Year T-Bond Yield



Source: Bloomberg

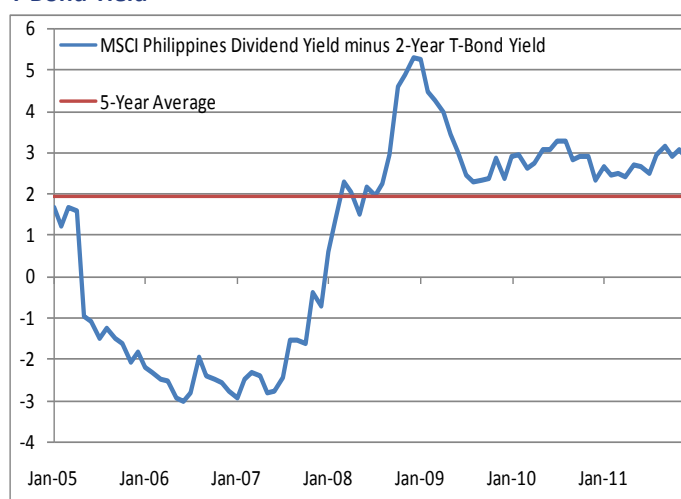
3 Month Performance					
	>1	>=0.5	>0<	<-0.5	<-1
Average Return	1.9%	2.5%	3.1%	1.0%	-1.6%
Positive Hit Ratio	55%	64%	61%	55%	33%
6 Month Performance					
	>1	>=0.5	>0<	<-0.5	<-1
Average Return	8.0%	5.2%	4.6%	5.9%	-5.1%
Positive Hit Ratio	67.5%	71.4%	60.0%	63.6%	42.9%
12 Month Performance					
	>1	>=0.5	>0<	<-0.5	<-1
Average Return	20.3%	20.8%	-1.4%	3.3%	-6.3%
Positive Hit Ratio	87.5%	81.5%	40.0%	54.5%	23.8%

Source: First Metro Securities Estimates

and given the wide spread, the MSCI Philippines may post a return of 20.0% in the next 12 months.

For investors seeking returns in a yield-starved environment, Philippines equities present an attractive reward over risk opportunity. The spread between MSCI Philippines dividend yield and US 2-year T-bond yield remains wide and well above its 5 year average.

Figure 16 - MSCI Philippines Dividend Yield Minus US 2-Year T-Bond Yield



Source: Bloomberg

With the U.S. Federal Reserve (Fed) signaling that they would keep interest rates low until 2014, more inflows can be expected into emerging Asia.

Foreign Fund Inflows

The January rally was generally liquidity driven. Strong foreign funds flows from the 4Q of 2011 remained intact in the month of January. On the premise that inflows will attract more of the same, individual stocks that are the target of robust foreign flows should outperform. Nevertheless, the lesson from 2011 is that global fund managers tend to be fickle and bent toward risk aversion whenever signs of a crisis arise, i.e., foreign funds will likely flow out of Philippine assets regardless of domestic fundamentals should problems escalate in different parts of the world – at least in the short-run.

Looking back in 2011, foreign fund flows were the main driver of price actions in the Philippine equities market. We think it will likely continue to do so this year due to the country's sound macro and micro fundamentals. With the U.S. Federal Reserve (Fed) signaling that they would keep interest rates low until 2014, more inflows can be expected into emerging Asia. Should the Fed embark on another quantitative easing, investors will be even more willing to broaden their risk appetites to the benefit of emerging markets.

Figure 17 - PSEI Performance Highlight QE Events



Source: FirstMetroSec Research, PSE

Top Equities Bought by Foreigners		
Symbol	Value	Net Trade
AC	3,712,481,399.40	1,376,475,284.80
AEV	1,261,540,662.05	768,012,966.20
AGI	3,975,467,570.13	1,111,214,306.60
ALI	3,278,699,384.00	816,852,848.06
AP	2,225,251,478.05	434,771,919.45
AT	589,939,122.16	122,375,055.54
BDO	3,935,931,238.65	599,499,306.60
BEL	697,544,774.50	-82,744,330.00
BPI	2,501,533,777.20	856,733,960.60
CEB	824,382,696.55	-39,939,796.50
DMC	3,528,309,777.15	793,283,717.70
EDC	4,663,463,198.68	-363,527,842.74
FGEN	1,739,822,391.65	-60,231,340.00
GLO	2,132,631,556.50	285,984,570.00
ICT	1,883,326,137.90	23,152,872.25
JFC	1,277,084,221.66	572,589,244.10
LCB	2,437,940,533.76	306,762,176.63
LR	498,029,767.56	26,244,970.00
MBT	5,325,952,246.74	1,037,367,412.54
MEG	3,425,929,506.98	-759,796,180.76
MER	10,468,003,631.00	385,147,645.00
MPI	2,201,113,103.09	-323,111,797.93
MWC	1,456,103,128.96	-665,349,005.10
PGOLD	1,450,647,844.96	-109,628,774.00
PX	2,867,298,133.70	-141,045,465.02
RCB	562,257,003.90	-77,437,320.00
RLC	1,963,747,998.60	181,745,282.48
SCC	2,099,439,355.30	405,843,499.80
SM	2,608,370,415.00	668,075,566.00
SMC	2,356,442,978.50	-75,669,620.70
SMDC	394,286,531.53	-78,732,421.17
SMPH	1,532,976,014.24	322,643,903.74
TEL	12,406,641,948.58	2,482,484,846.00
URC	2,712,769,879.70	282,222,499.50

Source: FirstMetroSec Research, PSE

...prospects of better-than-expected earnings growth in the 4th quarter of 2011 and robust foreign inflows will provide support to stock prices.

Outlook

Near-term – prospects of better-than-expected earnings growth in the 4Q of 2011 and robust foreign inflows will provide support to stock prices. Given the sharp rise in January, we may see some pullbacks in the coming weeks. These pullbacks should be good entry points for increasing exposure to Philippine equities. Near-term risk to watch out for is the possible default of Greece.

	Scenarios		
	Bull	Base	Bear
Probability	25%	60%	15%
Assumptions			
US Economy	2012 GDP +3.0%	Moderate Growth or Avoids Recession	In recession
Euro-zone			
Economy	Stalls and barely avoids recession	Recession - short to medium but shallow	Long and Deep Recession
Sovereign Debt Crisis	No quick fix, but market confidence improves substantially.	No quick fix to problem, but EU leaders find ways to muddle through crisis.	Mutates into a much worse form and some members exit and/or default. Market confidence falters.
Philippines 2012 GDP	> 6%	4% to 5%	< 4%
MSCI Philippines Index			
EPS Growth	> 23%	16% to 21%*	< 15%
Forward 12m EPS (USD)	> 52.78	49.76 to 51.92	< 49.35
P/E 2012 Trailing P/E	> 17x	15.92x** to 16.5x	< 15x
2012 Index Price Target	> 897.26	792.18 to 859.68	< 740.25
2012 Implied Return	> 25%	11% to 20%	< 3%

* Bloomberg Consensus

** 5-Year Average

Source: Bloomberg

Long-term – we think the Philippine equities market will trade higher this year. In our base case scenario, we see the MSCI Philippines index rising by 11% to 20% in 2012. The rise will not be uninterrupted due to periods of market dislocations and rapid price changes in the wake of negative external risks events. While new uncertainties may emerge, unresolved market risks will probably be quick to resurface. Thus, it will be prudent to keep our guards up and watch out for complacency.

Sectoral Performance

The year 2012 started with a bang with the PSEi skyrocketing to an all-time high of 4,756.78 on the back of bullish earnings expectations and hot money flows. The surge was led by the Property sector, growing by 12.44% this month as the Philippines experienced a surge in portfolio investments from overseas workers. Meanwhile, all the other sub-indices ended up in the green territory with the Mining and Oil sector soaring by 8.73% and the financial sector by 8.59% mostly because of the BSP's policy easing.

	Monthly Sectoral Performance			
	29-Dec-11		31-Jan-12	
	Index	% Change	Index	% Change
PSEi	4,387.06	4.18%	4,682.44	6.73%
Financial	969.33	4.18%	1,052.57	8.59%
Industrial	7,123.68	2.51%	7,247.37	1.74%
Holdings	3,503.81	6.38%	3,739.70	6.73%
Property	1,505.60	2.11%	1,692.89	12.44%
Services	1,607.38	4.21%	1,724.59	7.29%
Mining and Oil	23,881.53	0.70%	25,967.07	8.73%

Source of Basic Data: PSE Quotation Reports

The Financial sector's robust growth this month was due to inflation ebbing and the expected easing of policy rates by the Bangko Sentral ng Pilipinas (BSP). Policy rates were lowered by a quarter of a percentage point as a preemptive response to mitigate negative side-effects of slowing global growth. MBT and BDO received ratings upgrades

from S&P from BB- to BB early this month. The top banks under the sub-index ended the month with a robust upturn. All three banks surpassed their value before the drop during the MSCI Philippines index rebalancing in November last year.

Company	Symbol	12/29/11 Close	1/31/12 Close	% Change
Metrobank	MBT	67.95	75.85	11.6%
Banco de Oro	BDO	59.00	59.95	1.6%
Bank of the Philippine Islands	BPI	55.20	60.65	9.9%

Source of Basic Data: PSE Quotation Reports

The Industrial sector grew at a slower 1.7% pace than last month, led by MER growing robustly this month as the power distributor is expected to hit its profit goal for 2011. AP fell despite signing two power supply agreements with Abra Electric Coop and Melter Steel Corporation lasting 5 and 20 years respectively. Meanwhile, SMC was flat as the conglomerate continued its diversification plans which require heavy spending.

SMC submitted a proposal to take over and expand the MRT3 operations, agreed to buy a controlling stake in the operators of the SLEX project, and announced its plans to invest in the local ethanol industry and nickel mining. SMC has finalized a deal to sell 60% of Bank of Commerce to the CIMB Group of Malaysia. JFC expanded its foods business by acquiring 50% stake of Super Foods Group in a joint venture with Viet Thai International Joint Stock Company.

Company	Symbol	12/29/11 Close	1/31/12 Close	% Change
Meralco	MER	247.20	279.80	13.2%
Aboitiz Power	AP	29.90	30.20	1.0%
Energy Development Corp.	EDC	6.29	5.60	-11.0%
San Miguel Corporation	SMC	116.80	117.50	0.6%
Jollibee Food Corp.	JFC	90.45	97.80	8.1%

Source of Basic Data: PSE Quotation Reports

The Holdings sector recorded a 6.73% increase this month with vibrant performance from top companies. AC led the sub-index growth with a 12.9% climb as its property arm is expected to perform well this year. Also, DPWH expects to

The Property sector grew fastest among the sub-sectors at 12.44% as property sales are expected to perform well in the face of increased hot-money inflow.

finalize an agreement with AC for the P1.96 B Daang Hari-SLEX link road in the last week of this month. Ayala properties along that roadway link will benefit. DMC is targeting to launch seven new residential condominiums for the mid-income property market this year, costing about P13 B in total. Meanwhile, SM stock price grew as the company plans to spend P56.8 B for capital outlay this year to sustain its double-digit growth.

MPI dropped despite continuing to express its desire to join in bidding for the government's infrastructure projects. MPI is staking a legal claim for the operation and expansion of MRT3 as being covered by its existing Build-Lease-and-Transfer Agreement and possibly avoid a head-to-head bidding contest with SMC and AC for the same project.

Company	Symbol	12/29/11 Close	1/31/12 Close	% Change
Ayala Corp.	AC	311.00	351.20	12.9%
Metro Pacific Investments Corp.	MPI	3.66	3.50	-4.4%
SM Investments Corp.	SM	582.50	621.00	6.6%
DMCI Holdings, Inc.	DMC	41.30	46.00	11.4%
Aboitiz Equity Ventures	AEV	40.15	41.80	4.1%

Source of Basic Data: PSE Quotation Reports

The Property sector grew fastest among the sub-sectors at 12.44% as property sales are expected to perform well in the face of increased hot-money inflow. OFW remittances grew 10.6% to \$1.78 B in November last year which is expected to support homes and property sales.

ALI led the sub-sector growth as the company continues to invest heavily this year on its mainstream developments particularly in Nuvali and Bonifacio Global City. RLC reported a double-digit boost to its net income for FY 2011 following growth in all of its segments. SMPH plans to open five new malls this year in five different locations namely, San Fernando in Pampanga, Olongapo in Zambales, Lanang in Davao, General Santos in South Cotabato, and Consolacion in Cebu. These will bring the total number of SM Supermalls to 46 by the end of this year. Meanwhile, SMDC announced that it is expecting a 10% hike

PX reported a double-digit growth of its value of production and shipments last year bolstered by record high gold prices.

in reservation sales with the launch of its new products primarily driven by an upbeat property market in Metro Manila. SMDC was seen to accelerate its sales in the last quarter of 2011 as it slashed up to 40% the prices of some of its condominium units. MEG continues to beef-up its marketable portfolio with its P45 B investment in a property in Bonifacio Global City, Taguig.

Company	Symbol	12/29/11 Close	1/31/12 Close	% Change
Ayala Land, Inc.	ALI	15.16	17.66	16.5%
SM Development Corp.	SMDC	6.80	7.02	3.2%
SM Prime Holdings, Inc.	SMPH	13.30	16.40	23.3%
Robinsons Land Corporation	RLC	11.30	14.06	24.4%
Megaworld Corp.	MEG	1.70	1.71	0.6%

Source of Basic Data: PSE Quotation Reports

The Services sector posted a 7.29% growth this month led by TEL. TEL has successfully acquired 98% of DGTL after a tender offer was done for the latter's minority stockholders. Of the total shares tendered, 13% of DGTL shares were paid in cash, while the other 87%, amounting to P2.51 B DGTL shares, were paid in TEL common shares. The company plans to delist DGTL early this year with DGTL's public ownership falling below the minimum 10% required by the PSE. GLO is planning to redeem P3 B worth of corporate bonds next month to take advantage of the low interest-rate environment.

Company	Symbol	12/29/11 Close	1/31/12 Close	% Change
Philippine Long Distance Tel. Co.	TEL	2,542.00	2,736.00	7.6%
Globe Telecom	GLO	1,133.00	1,165.00	2.8%

Source of Basic Data: PSE Quotation Reports

The Mining and Oil sector was again upbeat this month with a 8.73% gain. PX reported a double-digit growth of its value of production and shipments last year bolstered by record high gold prices. SCC coal production in 2011 reached 7.19 million MT and exported a total of P2.429 M MT to countries such as China and Thailand. LC's subsidiary, FSE, is set to start drilling in Benguet with exploratory works slated to be completed in the first half of 2012. Gold

prices remain buoyant, and some analysts are projecting these to break \$2000/ounce this year fueled by increasing global demand for the commodity.

Company	Symbol	12/29/11 Close	1/31/12 Close	% Change
Philex Mining Corporation	PX	20.85	23.30	11.8%
Semirara Mining Corp.	SCC	221.40	225.40	1.8%
Lepanto Consolidated Mining Co.	LC	1.55	1.68	8.4%

Source of Basic Data: PSE Quotation Reports

Monthly Turnover

Total turnover increased by 4.9% this month. The Industrial sector recorded the highest turnover growth with 104.4%. Among the sectors in the red territory, the Holdings sector had the highest decline of 43.4%. Foreign participation decreased to 20.7% of total market activity compared to 37.8% from December. Net foreign buying dropped to 15.22% of total market activity from the previous month's 25.22%. Foreign investors were, nonetheless, net buyers at 13.78 B.

Sector	Monthly Turnover (in millions)			
	Total Turnover		Average Daily Turnover	
	Value	% Change	Value	% Change
Financial	16,625.1	-42.0%	791.67	-42.0%
Industrial	43,141.2	104.4%	2,054.34	104.4%
Holdings	20,501.9	-43.4%	976.28	-43.4%
Property	14,479.3	-5.4%	689.49	-5.4%
Services	29,517.8	45.1%	1,405.61	45.1%
Mining and Oil	21,302.6	23.8%	1,014.41	23.8%
Total	145,567.8	4.9%	6,931.80	4.9%
Foreign Buying	60,276.4	-13.9%	2,870.31	-13.9%
Foreign Selling	44,305.2	1.1%	2,109.77	1.1%

Source of Basic Data: PSE Quotation Reports

Recent Economic Indicators

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NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (in P millions)

	2010		2011		3rd Quarter 2011			4th Quarter 2011		
	Levels	Annual G.R.	Levels	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.
Production										
Agri, Hunting, Forestry and Fishing	663	-0.2%	678	2.4%	152.33	-4.5%	2.1%	195.89	28.6%	-2.5%
Industry Sector	1,860	11.6%	1,577	-15.2%	124.54	-74.4%	-72.1%	509.31	308.9%	2.5%
Service Sector	3,179	7.2%	2,537	-20.2%	27.79	-96.8%	-96.5%	886.00	3088.2%	5.9%
			-		0.00					
Expenditure										
Household Final Consumption	3,946	3.4%	4,186	6.1%	984.86	-4.4%	6.8%	1198.50	21.7%	6.7%
Government Final Consumption	570	4.0%	567	-0.6%	137.70	-21.2%	7.1%	124.27	-9.8%	5.8%
Capital Formation	1,184	31.6%	1,340	13.2%	307.75	4.7%	28.0%	389.00	26.4%	-4.3%
Exports	2,886	21.0%	2,765	-4.2%	735.67	-5.5%	-11.9%	572.06	-22.2%	-5.5%
Imports	2,884	22.5%	2,968	2.9%	743.84	-5.8%	0.4%	708.37	-4.8%	-3.3%
			-		0.00					
GDP	5,702	7.6%	5,921	3.8%	1429.28	-4.9%	3.6%	1591.20	11.3%	3.7%
NPI	1,860	10.0%	1,849	-0.6%	436.97	-5.2%	-2.5%	473.17	8.3%	2.9%
GNI	7,561	8.2%	7,770	2.8%	1866.25	-4.9%	2.1%	2064.36	10.6%	3.5%

Source: National Statistical Coordination Board (NSCB)

NATIONAL GOVERNMENT CASH OPERATION (in P million)

	2009		2010		Oct-11			Nov-11		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R.	Levels	Monthly G.R.	Annual G.R.
Revenues										
Tax	1,123,211	-6.6%	1,207,926	7.5%	103,939	-0.4%	5.5%	128,745	23.9%	15.4%
BIR	981,624	-6.4%	1,093,643	11.4%	94,354	4.1%	8.3%	119,238	26.4%	15.4%
BoC	750,287	-3.6%	822,623	9.6%	70,504	5.9%	10.9%	92,751	31.6%	12.5%
Others	220,307	-15.3%	259,241	17.7%	22,843	1.0%	1.2%	25,510	11.7%	27.7%
Non-Tax	11,030	6.5%	11,779	6.8%	1,007	-32.2%	5.0%	977	-3.0%	2.0%
	141,396	-7.9%	113,877	-19.5%	9,584	-29.9%	-15.9%	9,506	-0.8%	16.2%
Expenditures										
Allotment to LGUs	1,421,743	11.9%	1,522,384	7.1%	125,196	1.9%	14.8%	150,748	20.4%	35.7%
Interest Payments	264,645	18.7%	279,552	5.6%	25,628	5.4%	14.9%	26,106	1.9%	16.3%
Others	278,866	2.4%	294,244	5.5%	12,705	-50.8%	-9.2%	16,405	29.1%	-0.2%
	878,232	13.2%	948,588	8.0%	86,863	19.5%	19.4%	108,237	24.6%	50.0%
Overall Surplus (or Deficit)	(298,532)	338.3%	(314,458)	5.3%	(21,257)	14.9%	102.2%	(22,003)	3.5%	-4665%

Source: Bureau of the Treasury (BTr)

POWER SALES AND PRODUCTION INDICATORS Manila Electric Company Sales (in gigawatt-hours)

	2010		2011		2011 December		
	Annual Levels	Growth Rate	Annual Levels	Growth Rate	Levels	Growth Rate	YTD
TOTAL	29,976	9.9%	30,314	1.1%			
Residential	9,535	7.1%	9,382	-1.6%	759	0.9%	-92.0%
Commercial	11,683	8.2%	11,887	1.7%	1052	4.5%	1.7%
Industrial	8,616	15.9%	8,948	3.9%	789	12.1%	3.8%

Source: MERALCO

BALANCE OF PAYMENTS (in US millions)

	2009		2010		2 nd Quarter 2011		3 rd Quarter 2011	
	Levels	Growth Rate	Levels	Growth Rate	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT	9358	158.0%	8465	-9.5%	2104	20.1%	2033	-23.6%
Balance of Trade	-6728	-42.6%	-8438	25.4%	-2600	-3.2%	-2588	83.8%
Balance of Goods	-8842	-31.4%	-10384		-3257	8.2%	-3549	137.2%
Exports of Goods	37610	-22.1%	50684	34.8%	12334	1.0%	12229	-15.3%
Import of Goods	46452	-24.0%	61068	31.5%	15591	2.4%	15778	-1.0%
Balance of Services	2114	82.2%	1946	-7.9%	657	102.8%	961	992.0%
Exports of Services	11014	13.3%	13243	20.2%	3674	17.8%	4089	43.8%
Import of Services	8900	4.0%	11297	26.9%	3017	7.9%	3128	13.5%
Current Transfers & Others	16279	6.8%	16595	1.9%	4354	3.2%	4445	10.1%
II. CAPITAL AND FINANCIAL AC- COUNT	-1627	-1.3%	7948	-588.5%	-126	-45.2%	2254	85.8%
Capital Account	104	96.2%	98	-5.8%	26	-13.3%	51	59.4%
Financial Account	-1731	1.7%	7850	-553.5%	-152	-41.5%	2203	86.5%
Direct Investments	1604	24.8%	1226	-23.6%	439	2338.9%	-94	-130.2%
Portfolio Investments	-625	-82.8%	4018	-742.9%	1600	-371.2%	715	-2653.6%
Financial Derivatives	32	-128.3%	-191	-696.9%	70	-369.2%	-41	-65.3%
Other Investments	-2742	-464.1%	2797	-202.0%	-2261	-768.9%	1623	59.7%
III. NET UNCLASSIFIED ITEMS	-1310	-30.7%	-2010	53.4%	-455	-230.7%	418	-167.7%
OVERALL BOP POSITION	6421	7114.6%	14403	124.3%	1523	-18.6%	4705	44.5%
Use of Fund Credits	0		0		0	0.0%	0	0.0%
Short-Term	-1510	-200.1%	-2	-99.9%	-10	-16.7%	10	-9.1%
Memo Items								
Change in Commercial Banks								
Net Foreign Assets	-3752	-224.9%	4932	-231.4%	-171	-125.1%	1962	-10.8%
Basic Balance	12038	261.1%	11605	-3.6%	2198	8.2%	2200	-36.0%
Net Unclassified Items as percent- age of Total Trade	-2	-5.9%	-1.8	12.5%	-1.6	-223.1%	1.5	-175.0%

Source: Bangko Sentral ng Pilipinas (BSP)

MONEY SUPPLY (in P millions)

	2009		2010		Nov-11	
	Average Levels	Growth Rate	Average Levels	Growth Rate	Average Levels	Annual G.R.
RESERVE MONEY	912,132	8.8%	1,011,270	10.9%	1,199,124	17.30%
Sources:						
Net Foreign Asset of the BSP	1,886,514	17.7%	2,272,685	20.5%	3,304,498	24.64%
Net Domestic Asset of the BSP	-974,382	-27.6%	1,261,415	-229.5%	-2105374	29.25%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	1,087,408	19.2%	1,233,927	13.5%	1,395,061	10.50%
Money Supply-2	3,562,217	12.6%	3,893,063	9.3%	4,354,659	7.22%
MONEY MULTIPLIER (M2/RM)	3.91%	3.4%	3.85%	-1.5%	3.63%	-8.59%

Source: Bangko Sentral ng Pilipinas (BSP)

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