

## MACROECONOMIC SNAPSHOT

### Inflation hits 11-month low

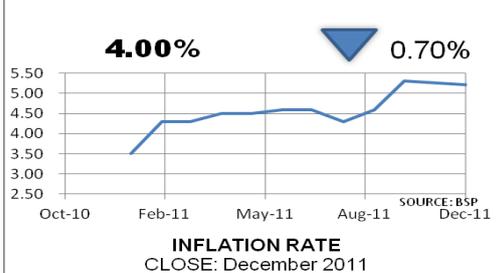
Inflation eased to an 11-month low of 4.0% in December, bringing the 2011 average to 4.4% — a level seen as providing the Bangko Sentral ng Pilipinas (BSP) enough room to slash interest rates. The full-year figure was higher than 2010's 3.8% and was at the lower end of the central bank's 4.0- 4.9% forecast. It fell within the 2011 target of 3-5%, reckoned from 2000 prices. Under a new data series based on 2006 prices, December inflation stood at 4.2%, slower than November's 4.8% and also an 11-month low. The 2011 average settled at 4.8%. Using the old series, the result was within the BSP's 4.0-4.9% forecast and lower than the 4.5% median in a BusinessWorld poll. Central bank Deputy Governor Diwa C. Guinigundo, in a text message, said: "On the surface, we have some ground for easing monetary policy based on benign inflation outlook and weak output number." He stressed, however, that consumer prices and economic growth weren't the only considerations of the BSP's policymaking Monetary Board, which will also look at the balance of risks, inflation expectations, liquidity levels and interest rates. (BusinessWorld)

### Investors swamp PhI global bond offer

A total of \$1.5 billion was raised yesterday from the government's issuance of new global bonds maturing in 2037. Investors swamped the Philippines' debt sale with orders reaching \$12.5 billion for the five-percent global bonds, Finance Undersecretary Rosalia de Leon said. In a separate statement issued by the Department of Finance (DOF), the government said it was able to save on borrowing costs. "The newly issued bonds were priced at par to yield five percent or an equivalent of 196.2 bps over benchmark US Treasuries," the DOF said. The government processed orders for about 15 hours, with majority of investors coming from the US. By geographical allocation, 25 percent came from the Philippines, 25 percent from the rest of Asia, 35 percent from the US and 15 percent from Europe. (The Philippine Star)

### Asian currencies seen undervalued vs US dollar

Asian currencies, especially the Philippine peso and Thai baht, are "undervalued" vis-à-vis the US dollar but are not expected to surge in the early part of 2012, according to a global research by investment bank BofA Merrill Lynch. In a research dated January 4 and titled "Enter the Dragon: Asia's 2012 Kicks Off," BofA Merrill Lynch said Asia was off to a "shaky, but positive, start" this year. The natural focus in this region will be on China's macroeconomic policy and its implication for renminbi (CNY) appreciation and wider asset prices, the research said. (Philippine Daily Inquirer)



	Thursday, January 5 2011	Year ago
Overnight Lending, RP	6.50%	6.00%
Overnight Borrowing, RRP	4.50%	4.00%
91 day T Bill Rates	0.919%	3.85%
Lending Rates	7.5238%	7.79%

## FINANCIAL TRENDS

### PSEi soars above 4,500 on rising confidence

Stocks breached the 4,500 resistance line yesterday as upbeat local data pushed them higher for the fifth straight session. The Philippine Stock Exchange index (PSEi) climbed by 0.69% or 31.14 points to close at 4,518.91, while the broader all-share index rose by 0.46% or 14.13 points to 3,085.75. Investors were cautiously optimistic about an upcoming European Summit but were reassured by strong data at home. (BusinessWorld)

### P/\$ rate closes at P43.99/\$1

The peso exchange rate closed lower at P43.99 to the US dollar yesterday at the Philippine Dealing & Exchange Corp. (PDEX) from P43.75 the previous day. The weighted average rate depreciated to P43.921 from P43.755. Total volume amounted to \$1.401.73 billion. (Manila Bulletin)

## INDUSTRY BUZZ

### Chrysler surges in a big year for U.S. cars

Automakers finished 2011 with their strongest performance in three years as once-bankrupt Chrysler Group recorded a stunning 26.2% surge in sales to pace the industry. Helped by a memorable "Imported From Detroit" advertising campaign launched during the Super Bowl in February and a raft of updated models, Chrysler sold 1.4 million vehicles last year. Its share of the U.S. market grew to 10.7%, up more than a percentage point. (BusinessMirror)

### Ford launches EcoSport SUV

Ford introduced Thursday the All-New Ford EcoSport in a global reveal at the Auto Expo 2012. Considered the world's first B Segment SUV, the all-new EcoSport is one of several all-new global One Ford vehicles that the company is launching this year. The new Focus, for example, is tipped to be released in the last quarter of the year. The EcoSport is the big version of the hot-selling Fiesta, which contributed largely to Ford's strong performance in the Philippines in 2011. (Philippine Daily Inquirer)