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MACROECONOMIC SNAPSHOT

Credit ratings wish could be realized in 2014

The Philippines will likely have to wait a while longer to realize its investment-grade credit rating wish, Standard Chartered Bank said. "Much remains to be done... Given the structural improvements that are required, we are cautious about the possibility of an upgrade in 2012," the bank said in a May 10 report. "Economic development, institutional reform and investment take time to show results. We are mildly optimistic that the Philippines will be upgraded to investment grade around 2014," read the report, titled "Philippines -- Investment Grade on the Horizon". "The Philippines is likely to be the next Asian country to experience 'investment-grade-mania', following Indonesia," the bank said, but it noted that tax collection and infrastructure investment improvements were needed. (BusinessWorld)

Spending to accelerate in Q2

The Aquino administration's spending in the second-quarter is seen to accelerate as kinks in the approval and bidding processes of government projects have been ironed out, First Metro Investment Corporation (FMIC) and University of Asia and the Pacific (UA&P) Capital Markets Research revealed. FMIC and UA&P said in a report that government spending is likely to increase year-on-year by 18 percent during the April to June period from just above 14 percent in the first three months of the year. "The faster economic growth starting the first-quarter will spill over into better tax revenues in the second quarter [and beyond] and so the deficit will still be below target in the second-quarter," FMIC and UA&P said. (Manila Bulletin)

China, Japan, S.Korea agree to start free-trade talks

The leaders of China, Japan and South Korea agreed Sunday to start talks this year on a free-trade area, saying it would boost the economies of the entire region. "Northeast Asia is the most economically vibrant region in the world...The establishment of a free-trade area will unleash the economic vitality of our region and give a strong boost to economic integration in East Asia," Chinese Premier Wen Jiabao told reporters in Beijing. China, Japan and South Korea combined have the world's largest economy, ahead of the European Union, when measured by purchasing power parity. (The Philippine Star)

FINANCIAL TRENDS

PSEI plunges by 1.44% on Greece fears

The Philippine Stock Exchange index (PSEI) plunged by 1.44% or 74.52 points to close at 5,083.62, while the broader all-share index slid by 1.78% or 60.74 points to 3,344.48 due to failure of Greek politicians to form a new government during talks on Sunday, raising the prospect of a new election in June that would delay the release of bailout funds. "Investors are still waiting for firmer directions from Europe...whether pro- or anti-bailout, or even pro-austerity measures," said Freya B. Natividad, analyst at online brokerage 2TradeAsia.com in an interview yesterday. (BusinessWorld)

P/\$ rate closes at P42.705/\$1

The peso exchange rate closed lower at 42.705 to the US dollar yesterday at the Philippine Dealing & Exchange Corp. (DPEX) from 42.57 last Friday. The weighted average rate depreciated to 42.627 from 42.479. Total volume amounted to \$697.49 million. (Manila Bulletin)

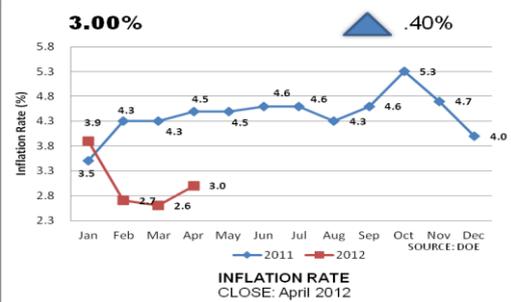
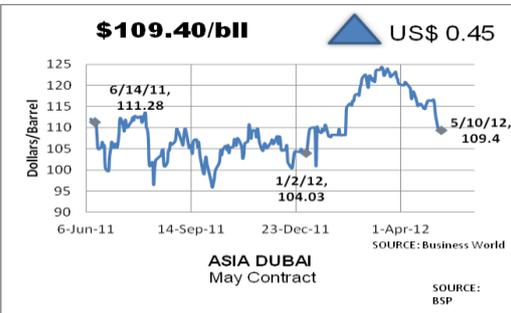
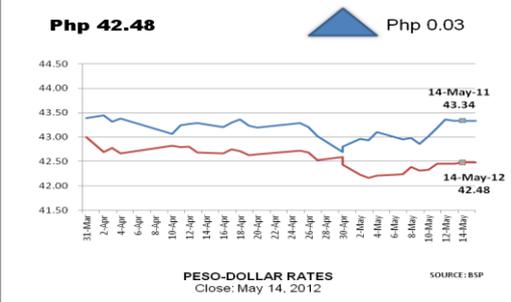
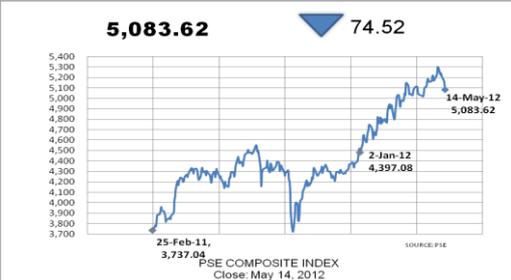
INDUSTRY BUZZ

Nissan's new models to help achieve record sales this FY

Nissan Motor Co posted on Friday a one-third jump in quarterly profit and projected a 28 percent rise in the year ahead driven by brisk sales momentum in most major markets and the launch of 10 new models around the world. Nissan has outshone domestic rivals Honda Motor Co and Toyota Motor Corp in the past year as Chief Executive Carlos Ghosn has pushed aggressively into fast-growing markets such as China and Russia. January-March operating profit at Japan's No.2 automaker rose 33 percent to 118.1 billion yen (\$1.48 billion), against an average estimate of 120 billion yen from 20 analysts polled in the past 90 days by Thomson Reuters I/B/E/S. (BusinessWorld)

China automakers look overseas as local slowdown

Ramped-up capacity by Chinese automakers during the heady days of 30-50 percent annual growth has bumped headlong into a domestic slowdown, and now indigenous firms are seeking buyers in far-flung corners of the world, from Egypt to Ukraine to Indonesia. With Western markets still out of reach, China's domestic automakers are staking their export push on the same formula that's worked for them at home: no frills but acceptable quality. "The rapid growth phase of China's auto market is coming to an end, and we see exports as one possible outlet for all the capacity we have built up," says Xing Wenlin, Great Wall Motor vice president in charge of overseas markets. (BusinessWorld)



	Thursday, May 10 2012	Last Week	Year ago
Overnight Lending, RP	6.00%	6.00%	6.50%
Overnight Borrowing, RRP	4.00%	4.00%	4.50%
91 day T Bill Rates	2.15%	2.15%	3.85%
Lending Rates	7.79%	7.88%	7.79%

