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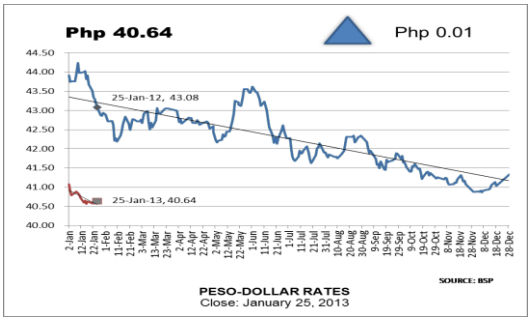

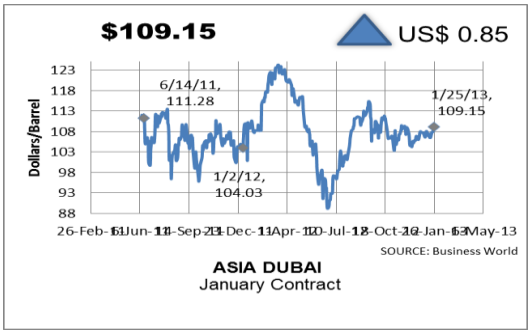

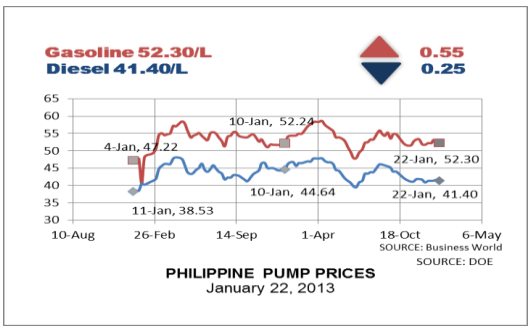

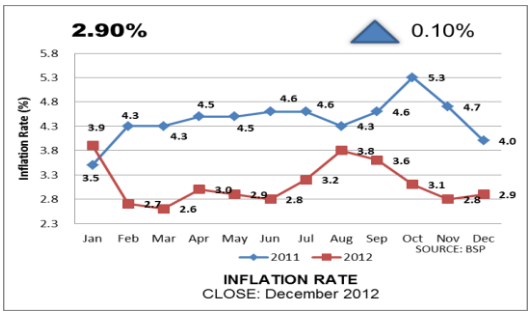

	Thursday, 24 January 2013	Last Week	Year ago
Overnight Lending, RP	5.50%	5.50%	6.50%
Overnight Borrowing, RRP	3.50%	3.50%	4.50%
91 day T Bill Rates	0.05%	0.20%	3.85%
Lending Rates	6.96%	7.10%	7.79%

MACROECONOMIC SNAPSHOT

Economy seen accelerating in H2

The domestic economy is expected to accelerate in the second half of the year, while inflation rate would continue at 3% for most of 2013, according to the latest forecast by the FMIC & UA&P market research. "Due to base year effects, the first quarter may see inflation average at 3%, but the trend would be downward in subsequent quarters. We expect full-year inflation to average 2.8%," says FMIC-UA&P. "Government bond yields would continue to ease, albeit at a slower pace. Since short-term T-bills are already very low, the action would likely occur in the far end of the curve." FMIC-UA&P expects continued influx of overseas Filipino workers' (OFW) remittances and foreign portfolio capital, lower inflation rates, and less supply of government papers due to the lower deficits and borrowing requirements of the national government. (Manila Bulletin)

Key rates unchanged

Key rates were kept at record lows yesterday as expected, with monetary authorities instead cutting rates on the central bank's special deposit account (SDA) facility and revising inflation outlooks for this year and the next. The Bangko Sentral ng Pilipinas' (BSP) overnight borrowing and lending rates stayed at 3.5% and 5.5%, respectively. SDA rates, previously pegged at a slight premium above the overnight rate, were slashed to 3%. The cut takes effect immediately, central bank Governor Amando M. Tetangco, Jr. told reporters. Mr. Tetangco said policy rates were kept steady given the benign inflation environment. He said the Monetary Board trimmed the inflation forecast for 2013 to 3% from 3.1%, at the low end of the 3-5% target, while that for 2014 was raised to 3.2% from 2.9%. (BusinessWorld)

China's manufacturing shows further signs of expansion

A preliminary gauge showed Chinese manufacturing activity accelerating in January, indicating positive momentum for the country's economy in the new year. The preliminary HSBC China Manufacturing Purchasing Managers Index, a gauge of nationwide manufacturing activity, rose to 51.9 in January, compared with a final reading of 51.5 in December, HSBC Holdings PLC said Thursday. A reading above 50 indicates expansion from the previous month, while a reading below 50 indicates contraction. The preliminary January figure, a 24-month high, adds to recent signs of a rebound in the world's second-largest economy and could help boost market confidence in China's outlook for this year. The index has now been in expansionary territory for three straight months, signaling growth for China's manufacturing sector. (Wall Street Journal)

FINANCIAL TRENDS

PH stocks seen to rise this week

Local share prices may test record highs again this week despite the lack of any scheduled economic news to drive momentum from local investors. Fund managers are instead expected to take their cue from news abroad, bolstered by the general optimism over the domestic economy. The main Philippine Stock Exchange index (PSEi) ended the week at 6,167, up 0.46 percent week on week and just 4 points short of its highest close of 6,171.70. (Philippine Daily Inquirer)

P/$ rate stands at P40.66/$1

The peso exchange rate stands at P40.66 to P40.66 to the US dollar last Friday at the Philippine Dealing & Exchange Corp. (PDEx). The weighted average rate stands at P40.687. (Manila Bulletin)

INDUSTRY BUZZ

E-vehicle tax breaks, exemption claim OK'd

Measures providing tax incentives on the importation of electronic vehicles and lifting the limit on dependents in tax exemption claims were approved on second reading in the Senate on Wednesday. Senator Ralph G. Recto, ways and means committee chairman, said in a statement yesterday that Senate Bill (SB) No. 2856 or the proposed Alternative Fuel Vehicles Incentives Act sets tax incentives to entities that will import, convert, manufacture or assemble electric vehicles, including hybrid and other cars using alternative fuel. The exemption will be applied on excise tax and value-added tax for nine years "which should result in lower sticker price or dealer's price for buyers," according to the statement. Mr. Recto said he is hoping that SB 2856 will be able to obtain "enough numbers to pass before election break sets in." (BusinessWorld)