

VANTAGE POINT

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

EQUITY OUTLOOK

MARKET OUTLOOK: CAUTIOUSLY BULLISH

SECTOR PICKS: INDEX HEAVYWEIGHTS, PROPERTY OR CONSUMER, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6400 FOLLOWED BY 6200, RESISTANCE AT 6700 FOLLOWED BY 7000

US semiconductor stocks continue to massively outperform as the potential of AI is being weighed. On the other hand, China and HK are still sliding despite purchases by the national team. A dismal property sector outlook, weak GDP and restrictive regulations are just some of the factors that contributed to extremely bearish sentiment. Sharp plunges in China will also drag EM equities lower as China still comprises 22% of the index. Note that China used to account for about 1/3 at one point.

The deluge of net foreign buying has slowed to a trickle, which also coincides with the pullback of the PSEi. We hope for more sustainable foreign inflows as these are critical to the performance of the PSEi. In the past 6 weeks alone, more than PhP 7 billion in net foreign buying. This underpinned the 475-point rally of the benchmark index.

However, this does not come as a surprise. As we indicated in last week's report, we are entering the last innings of a seasonally strong period for the market. More catalysts would be needed to entice foreign funds to restore their weight in Philippine stocks. As history shows, a low valuation is attractive but not enough.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

The index pulled back after hitting resistance of 6700. Weakness in China and HK also dragged down Asian markets. Still, the PSEi is one of the few Asian markets still in the green YTD. We recommend buying quality names on dips.



BOND OUTLOOK

**MARKET OUTLOOK:
DEFENSIVE**

TRADING STRATEGY

We shift to being cautious as key data points in the US show a stronger economy, which may delay Fed rate hikes. 10y UST has risen decisively above 4%. Meanwhile here locally, news of a new RTB to be launched in the 1Q will cause markets to be wary of the incoming new supply.

With strong retail sales numbers and jobs number showing signs of a strong economy, markets are slowly starting to temper their optimism on rate cuts by the Fed.

Though we will most likely get the 3 cuts this year, the timing may be later rather than sooner. US December CPI also came in higher than anticipated, though core inflation shows that the trend is still ok.

Here in the Philippines, inflation points to more cooling, but news of a new RTB coming out will dampen demand. We also got news that Ben Diokno is being replaced by Ralph Recto in the DOF.



PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of January 19, 2024
1M	5.3097
3M	5.3587
6M	5.6655
1Y	5.9991
2Y	5.8914
3Y	5.94
4Y	5.9896
5Y	6.0389
7Y	6.127
10Y	6.2186
20Y	6.311
25Y	6.3106



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