

# Vantage Point

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

## MARKET OUTLOOK: CAUTIOUS

**SECTOR PICKS:** CONSUMER NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

**TECHNICALS:** SUPPORT AT 6000 FOLLOWED BY 5700, RESISTANCE AT 6200 FOLLOWED BY 6500

What difference 0.2% can make. With October US CPI coming in at 7.7% instead of 7.9%, investors cheered what looks like a confirmation that US inflation has peaked. If inflation has indeed peaked, some analysts forecast that central banks like the Fed will slow down the pace of rate increases and potentially pivot when growth weakens. This newfound bullishness caused the Dow Jones index to gain 1200 points last Thursday, with the S&P rising 5.5% and the tech heavy Nasdaq soaring by a whopping 7.3%.

At the same time, US 10-year bond yields fell by 33 basis points - a huge one-day move. The US dollar also weakened significantly, with the Philippine peso appreciating by 0.92 centavos against the US dollar, ending the week at 57.27. All these will cause our stock market to strengthen, hence the 1.93% move last Friday on the back of PhP 433M of net foreign buying.

Moves like these are yet another signal that the market is attempting to bottom. Though we are not yet out of the woods, this gives us confidence to slowly increase our equity exposure. Still, we are wary of what Fed Chairman Jerome Powell will say next month, as well as the magnitude and duration of the impending recession next year. Those with cash and courage can slowly buy risk assets.

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



Last Thursday saw an explosive move from global markets, led by the US. This was triggered by hopes that inflation has peaked, which may lead to central banks slowing down the pace of rate increases. This extreme one-day up movement should help lift Philippine stocks. We are slowly and selectively increasing equity exposure.