

# VANTAGE POINT

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

## EQUITY OUTLOOK

**MARKET OUTLOOK: NEUTRAL**

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

**TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800**

Divergence is the keyword now as economies are no longer moving in the same direction. While inflation is becoming subdued in some countries, it is running hot in others. Some see a softening but stable housing market, then others are witnessing a sharp drop in demand. Some currencies are making new lows against the dollar while others are showing remarkable strength.

Thus, after raising rates in unison last year and 1Q23, central banks are now starting to move in different directions. This will have a direct and significant implication on the different asset classes.

Fortunately, despite the Fed's indication that more hikes are incoming, global equities did not fall sharply. Moreover, the peso also strengthened despite the BSP deciding on a "long pause". Normally, a narrower interest rate differential would have caused the peso to depreciate. One explanation behind this could be the appointment of Eli Remolona as the new BSP governor. Investors welcomed this as he is a technocrat who has worked with major multilaterals here and abroad. This shows how critical investor confidence is in the performance of any risk asset.

Sadly, the stock market is still stuck in a tepid, low volume consolidation. Disinterest has clearly taken hold as many investors simply sold their Philippine holdings and never looked back. We hope for the emergence of a new catalyst that can reignite their interest in domestic equities.

### Philippine Stock Exchange Index (PSEi) 1-year chart



### TRADING STRATEGY

In the absence of other market-moving news, we saw domestic events such as the junk food tax cause wild gyrations in consumers stocks. Outside of this though, the PSEi remains stuck in a low volume consolidation. In times like this, we recommend sticking to quality.



# BOND OUTLOOK

**MARKET OUTLOOK:  
DEFENSIVE**

**TRADING STRATEGY**

With still no fresh leads, market turns even more defensive. We see levels already back to the 6.5 area on the 10yr and higher, and this would be an attractive entry point. We will slowly scale in but risks remain to the upside on yields.



The Fed, after pausing in its interest rate hikes, ramps up the dialogue that their work is not done and that inflation, especially wage prices, remain sticky and that they will need to hike again soon. Considering that US GDP data was also revised upward, we may see that 10y USTs may rise to close to 4% again or higher.

With the BSP meanwhile looking to protect interest rate differentials, it remains to be seen if BSP will indeed stay on hold as they have indicated or will they be forced to follow the Fed higher.

The market already believes that the BSP may hike as well, which has caused yields to already go up in the secondary market. the 9yr 1069 has already hit 6.4%, with BTR reissuing it at auction at higher than anticipated yields.



**PHP BVAL Reference Rates – Benchmark Tenors**

Tenor	BVAL Rate as of July 03, 2023
1M	6.0026
3M	6.1113
6M	6.1815
1Y	6.2175
2Y	6.3171
3Y	6.2551
4Y	6.2026
5Y	6.1774
7Y	6.2223
10Y	6.3036
20Y	6.1771
25Y	6.1839

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