

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

The benchmark index finally broke its 5-week losing streak, although this was with a paltry 0.3% return in the last week of August. Lack of catalysts and liquidity are weighing on our market as foreign inflows in July reversed in August.

Thus, the tender offer of MPI may actually be critical to our market. An equalweighted position in MPI is equal to 1.6% of a pure equity portfolio. This is a significant amount of liquidity that can be used to buy equities. We hope this flows into stocks instead of other asset classes.

With both the BSP and Fed on a hawkish pause, currencies have stabilized at current levels. However, the peso is still dangerously close to the 57/\$ level. Unless the peso appreciates against the US\$, it will be difficult for the Philippines to attract foreign flows.

We are also very wary of inflation for critical commodities. Rice is already at a 15-yr high as drought and protectionism cut into supply. Sugar is about to retest a 12-yr high as well. Though inflation is not going down as fast as expected, weak 2Q23 GDP growth makes the BSP's balancing act even more difficult.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

The PSEi is holding on to dear life as it tries to stay above 6200 support. A successful tender offer process by MPI should inject much needed liquidity into the market. We remain neutral, but if there are irrational selldowns, we may participate.



BOND OUTLOOK

MARKET OUTLOOK:
NEUTRAL

TRADING STRATEGY

This week will be fairly light on leads after the Jackson Hole speech last week by Jerome Powell. Seems that most traders are sidelined as we look for direction, with August CPI coming in. Yields softened a bit last week and at these levels are hitting some resistance levels. We would like for yields to come up a little more before redeploying.



With the Jackson Hole speech done, markets will now look to inflation prints to see whether the trend is still coming down. Recent jobs data has been steady, though unemployment saw a tick up.

On the local front, we are also wary about rising food costs, a price cap imposition on rice prices, and overall higher vegetable prices due to the persistent rains and typhoons.

September auction schedule shows that there will be some scarcity on the longer end of the curve, with more auctions on the 3yr space. This should provide some support for long duration bonds. Overall though, market is in a wait and see mode for now.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of September 04, 2023
1M	5.5889
3M	5.652
6M	5.9816
1Y	6.2687
2Y	6.1943
3Y	6.204
4Y	6.2153
5Y	6.2387
7Y	6.3231
10Y	6.4226
20Y	6.605
25Y	6.605



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