

WANTAGE 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 6000 FOLLOWED BY 5700, RESISTANCE AT 6200 FOLLOWED BY 6500

The index failed to keep its head above water due to foreign outflows from FTSE rebalancing. Net outflow on Friday alone amounted to PhP 2.5 billion. As stock prices keep falling, the representation of the Philippines in broader market indices gets reduced as well.

On the monetary policy front, it seems like the BSP is set on keeping rates on hold despite above forecast inflation. BSP Governor Eli Remolona said there is no need to raise rates "if there are no further supply shocks beyond that uptick in August. It won't justify an easing but it won't be necessary to raise the policy rate." He added that "these supply shocks usually dissipate very quickly."

Still, elevated prices are going to affect both consumer spending and the margins of consumer companies. With the Philippines now the top importer of rice, it comes as no surprise that foreign funds are quite concerned about the state of the Filipino consumer.

Just as we said last week, while dips may be an opportunity to buy, we see no need to rush any purchases except when prices are significantly dislocated.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

Support of 6200 failed to hold as rebalancing resulted in net outflows. Rising commodity prices and the lack of catalysts will cause the PSEi to underperform developed markets.



BOND OUTLOOK

**MARKET OUTLOOK:
NEUTRAL**

TRADING STRATEGY

We remain on the neutral stance for now as market is still looking for some direction. We are waiting for the BSP MB meeting, but all indications are that the hawkish pause continues. We are more wary on the inflation side where oil and commodities such as rice remain elevated.



With CPI at the forefront of market worries, traders have been hesitant to commit at these levels. Local bonds have seen some steady demand but seem to be met with opportunistic selling during every rally.

Thus levels have stayed practically the same for the past 2 weeks. We get the BSP key rate setting meeting soon, but BSP has already telegraphed that it will most likely be a hawkish pause.

The Fed will probably have a similar move, though the Fed will have to hike once or twice more before the end of the year.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of September 18, 2023
1M	5.5105
3M	5.6036
6M	5.9436
1Y	6.1448
2Y	6.2002
3Y	6.2144
4Y	6.2287
5Y	6.2550
7Y	6.3456
10Y	6.4407
20Y	6.6285
25Y	6.6321



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