

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

Yet another surprise rebalancing exercise was announced by the PSE. This time, it is UBP that is leaving the benchmark while NIKL is taking its place. However, with UBP outflow exceeding NIKL inflow, it means some cash will once again flow into index names. This is a major reason behind the market's relative resilience despite weakness in global equity markets.

The other reason is the hawkishness of BSP Governor Eli Remolona. By expressing his openness to an offcycle hike and the BSP's open market defense of the 57/\$ level, the peso was able to stabilize - a sharp contrast to the depreciation of other ASEAN currencies. In fact, from being among the worst performing Asian currencies against the US dollar, the Philippine peso is now among the strongest on a YTD basis. Since the stock market is correlated to the Philippine peso, equities were able to find their footing.

From a technical analysis standpoint, the strong bounce after testing 6000 reinforces this level as a strong support. Nimble traders may use dips close to this major support as an opportunity to buy.

China's 1-week holiday may contribute to the low liquidity we are currently experiencing. Low liquidity combined with rebalancing may result in wild price swings in the coming week.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

The PSEi continues to rally despite weakness in global markets. Another rebalancing exercise is leading to net buy flows for index names. The BSP's hawkish stance is also keeping the peso well supported, which in turn puts a floor on equity prices.



BOND OUTLOOK

**MARKET OUTLOOK:
NEUTRAL**

TRADING STRATEGY

As 10y UST yields continue to hover at 15 year highs, local bond yields continue to find support at current levels. We would prefer for local yields to inch higher to reflect the higher inflation pressures in the market. Thus we are staying on the sidelines for now and remain neutral to defensive.



More data coming out in the US shows that inflation remains sticky, especially wage inflation. With oil prices being pushed higher by OPEC, the view is that inflation will continue to be high going into the end of the year.

We also now see the terminal rate of the Fed to be 5.75, which was what the dot plots already show.

Here in the Philippines, BTr awarded a new Retail Dollar bond at 5.5%, already covering government funding requirements for the year.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of October 02, 2023
1M	5.608
3M	5.6677
6M	5.9879
1Y	6.2267
2Y	6.2529
3Y	6.2906
4Y	6.3228
5Y	6.3555
7Y	6.4162
10Y	6.4874
20Y	6.5343
25Y	6.53



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