

# 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**

After a flurry of index rebalancing activity, the stock market quieted down. Trading volume dropped significantly. Excluding blocks, daily traded value is only ~PhP 3 billion in the past week. Low institutional cash levels, foreign disinterest in Philippine stocks and the lack of domestic catalysts continue to weigh on the PSEi.

In light of the inflation overshoot, BSP Governor Eli Remolona continues to flag a potential offcycle rate hike. This, along with the BSP's open market defense of the 57/\$ level, are keeping the peso propped up. This allowed the peso to go from among the worst to among the best vs. other Asian currencies YTD. On the other hand, DOF Secretary Benjamin Diokno has explicitly stated on multiple occasions that the BSP is done hiking rates.

Although we are entering a seasonally strong period for stocks, we are still wary about the quality of corporate earnings and the global macro backdrop. The recent Israel-Hamas war adds more uncertainty to this already volatile environment. While this is unlikely to lead to a durable increase in commodity prices in the near term, the prospect of other countries joining the conflict is a major risk. If Iran, Saudi Arabia or another superpower enters the fray, we may be in for yet another bout of inflation which may then tip the global economy into recession.

It is in this light that we will try to realize gains where we can, while also utilizing irrational plunges as opportunities to buy. Though the conflict in its current state is not a major risk for global capital markets, we do not think that investors need to rush to buy equities.

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



### TRADING STRATEGY

After index rebalancing exercises were completed, trading volume dried up significantly. Despite the sharp intraday price swings, the PSEi was nearly flat for the week. It continues to stay above the 6200 level. We expect the PSEi to consolidate between 6000-6500 in the near term.



# BOND OUTLOOK

**MARKET OUTLOOK:  
NEUTRAL**

**TRADING STRATEGY**

Bids turned defensive last week as 10y USTs jumped higher again on stronger US data points, but it looks as though there is some support at these levels already. Markets are especially keen on some Fed members saying that higher rates overall would already negate the need for the Fed to hike rates. Still, we would like to wait for more information on the trend of inflation before making a move and look to stay neutral for now.



There is hope that the Fed will look to pause in its November meeting, with some members saying that market rates being elevated may be having enough effect already on the economy so that the Fed does not need to hike one more time.

Powell has also stated that the Fed will likely be data dependent. However a new risk on the back of everyone's mind is the Israel-Hamas war, which for now has not really caused any market movement but has the potential to create disruptions, especially on oil prices.

**PHP BVAL Reference Rates – Benchmark Tenors**

Tenor	BVAL Rate as of October 13, 2023
1M	5.7458
3M	5.8711
6M	6.1458
1Y	6.3085
2Y	6.3301
3Y	6.383
4Y	6.422
5Y	6.4594
7Y	6.5122
10Y	6.5528
20Y	6.5474
25Y	6.533



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