

VANTAGE POINT

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

EQUITY OUTLOOK

MARKET OUTLOOK: CAUTIOUSLY BULLISH

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 6400 FOLLOWED BY 6700

The PSEi is now up for its 4th straight week. Unlike the past 3 weeks which still saw foreign selling despite lackluster volume, we note that foreign outflows dried up significantly this week. If foreign selling does not resume, even in the absence of voluminous buying, this rally may continue all the way to yearend.

As of this writing, the Philippine peso is the best performing Asian currency on a YTD basis. We have to give credit not just to below forecast inflation but also to BSP Governor Eli Remolona's resoluteness and hawkishness. The clear signal as well as the unwavering defense of the 57/\$ level reversed the misfortune that peso had been experiencing earlier in the year. This is also a boon for equity prices as the peso and stock market tend to be positively correlated.

The hostage swap between Israel and Hamas also bodes well for risk assets as geopolitical risk is dying down. Energy prices have also dropped as a result. If global markets can continue to strengthen, then emerging markets including the Philippines will likely follow suit.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

The PSEi continues its ascent as net foreign outflows dry up. Technicals are also looking more encouraging as many names successfully bounced off major support levels. If the factors that conspired to create this rally remain in place, then we are likely to have a green Christmas.



BOND OUTLOOK

MARKET OUTLOOK:
POSITIVE

TRADING STRATEGY

With UST yields continuing their decline, the 10y UST now at 4.3, bond yields globally are bought up, with investors keen to add to duration. Inflation data points towards slowing price increases, and the Fed finally ending its rate hike cycle. We are keen to scale back in, though would not chase at this point as levels have come down by around 70bp already.



Now that inflation is pointing towards a slowdown, the Fed has room to keep rates as they are for now, but it is increasingly looking likely that rate cuts may come earlier than expected as well.

Bonds posted one of their best runs this month for the year, with the 10y UST hitting as low as 4.25 after being at above 5 just last month. And the local bond benchmark 10-69 came from 7 and is now around 6.2.

We may see some profit taking at these levels, as yields have come down quite quickly but if inflation continues on its downward trend, rates still have a lot of room to come down.

PHP BVAL Reference Rates – Benchmark Tenors

| Tenor | BVAL Rate as of November 24, 2023 |
|-------|-----------------------------------|
| 1M | 5.8076 |
| 3M | 5.7575 |
| 6M | 5.9454 |
| 1Y | 6.3182 |
| 2Y | 6.0906 |
| 3Y | 6.1776 |
| 4Y | 6.2348 |
| 5Y | 6.2681 |
| 7Y | 6.2929 |
| 10Y | 6.3207 |
| 20Y | 6.4871 |
| 25Y | 6.5111 |



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