

VANTAGE POINT

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

EQUITY OUTLOOK

Market Outlook: Cautiously Bullish
Sector Picks: Index heavyweights, Property/consumer, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technical: Support at 6700 followed by 6400, Resistance at 7000 followed by 7400
Trading Strategy: Net foreign buying reversed into selling as foreign funds were spooked by weakness in China and dollar strength. While we do not expect a significant correction for Philippine stocks, we suggest that investors wait at appropriate support levels before increasing index exposure.

The streak of net foreign buying has finally come to an end. On Friday alone, we saw net foreign selling of PhP 570M which was concentrated in just a few index heavyweights. There is also concern over slowing corporate earnings this year as the property sector slows down and consumer stocks suffer from increasing competition and stubbornly high costs. These kept the PSEi at the 6800 level.

The Fed continued to signal 3 rate cuts in 2024, which was well within market expectations. However, some large institutions such as Vanguard are saying that they do not expect the Fed to cut this year. A surprise rate cut from the Swiss National Bank fueled speculation that other central banks may cut ahead of the Fed, causing the US dollar to strengthen significantly. This was also accompanied by the weakening of the Chinese yuan.

Adding to the volatility is a proposed bill in the US that will ban US mutual funds from purchasing Chinese stocks. This dragged down HK and Chinese markets, which also weighed on Asia.

While we are still buyers on dips, we are closely monitoring the current macro situation as sharp movements in FX and regional stocks will affect Philippine stocks as well.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: With the Fed meeting out of the way, market will be even more quiet this week due to the Easter break. Market had already been on the sidelines for the most part, only following movement of UST and servicing demand from bond maturities. We expect more of the same this week until movement comes to a complete halt before we go off for the break.

The Fed decided to keep rates on hold as widely expected. Inflation still is the concern as strong data in the US suggests that wages and overall retail demand are still robust. Though prices are cooling, it may not be enough to signal the all clear for now. In the Philippines, the onset of summer also has the BSP in a hawkish tone, as inflation will likely rise in the 2Q due to the el nino effects on food prices, before dipping again in 3Q. We see some demand coming in on the longer bonds, as the recent 20y coming in around 6.2 shows. For now though, we will stay on the sidelines as market goes on Holy Week Break.

PHP BVAL Reference Rates – Benchmark Tenors

PHILIPPINES 10 YEAR GOVERNMENT BOND



Tenor	BVAL Rate as of March 25, 2024
1M	5.7977
3M	5.7745
6M	5.9187
1Y	6.0645
3Y	6.0906
5Y	6.1659
10Y	6.1992

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