

ADVANTAGE POINT

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

EQUITY OUTLOOK

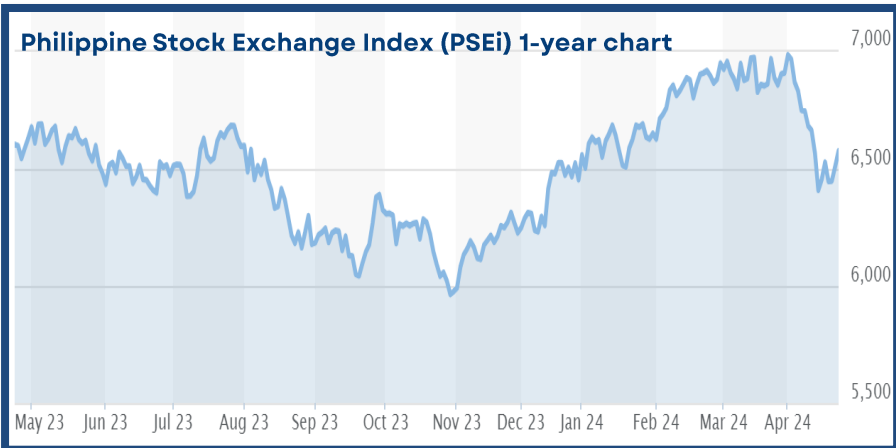
Market Outlook: Cautious
Sector Picks: Index heavy weights, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technicals: Support at 6400 followed by 6200, Resistance at 6700 followed by 7000
Trading Strategy: Rising geopolitical risk and a strong dollar led to a sharp correction for equities, especially in emerging markets. While value has emerged due to the steepness of the correction, we believe it is prudent to stay on the sidelines for now

After ruminating over the weekend, investors rushed to react to both higher rates for longer and the prospect of an Israel-Iran conflict. Global equities corrected, with emerging market indices dropping massively. The US dollar continued to surge against almost every currency.

In a matter of 2 weeks, the PSEi lost all its hard-earned gains for 2024 as Brent crude touched \$90/barrel. The hard line of 57/\$ was also broken as Asian currencies plunged against the USD, with the Malaysian ringgit back to where it was in the 1997 Asian Financial Crisis and the Indian rupee at an all-time low. Against this backdrop, it would be very difficult for both Philippine stocks and the Philippine peso to buck the trend.

That said, it could have been worse for our currency if BSP Governor Eli Remolona, Jr. did not wax hawkish in his recent statements. He said that with inflation having a 56% chance of overshooting the BSP's target, they are likely not going to cut rates this year. Moreover, he said that the peso itself is not weakening - it is the US dollar that is strong. Thus, our currency is only reacting to events that is affecting everyone else as well. He added that the peso's depreciation has not reached a point that would affect monetary policy.

With foreign funds continuing to sell and the peso remaining weak, we expect stocks to stay within a corrective wave. In times like these, it may be best to exercise caution.

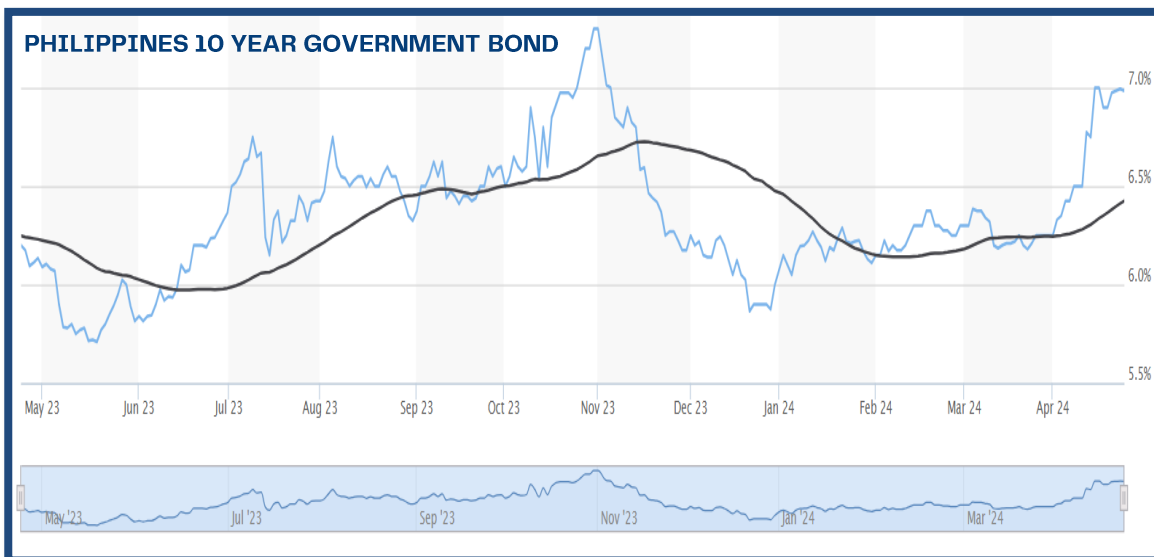


BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: Markets are still on the defensive given the recalibrating of bets on the Fed rate cuts. Some are now calling for no rate cuts up to the next year. Yields have corrected already due to this and this week has an additional risk off sentiment due to Israel retaliating against Iran.

New risk off sentiment this week due to Israel attacking Iran. For now markets are taking it in stride as we have not seen oil prices jump or a drastic move in USTs. 10y UST remains at around 4.64 while local 10y 10-71 is hovering around 6.85 levels.

For now we would look to remain cautious as more data points come out. This would give us a better insight if growth in the US remains strong which would cause the fed to further postpone rate cuts.



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of April 19, 2024
1M	5.9026
3M	5.8663
6M	5.9804
1Y	6.0344
3Y	6.5376
5Y	6.6701
10Y	6.8924

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