

ADVANTAGE POINT

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

EQUITY OUTLOOK

Market Outlook: Neutral
Sector Picks: Index heavy weights, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technical: Support at 6400 followed by 6200, Resistance at 6700 followed by 7000
Trading Strategy: With the peso breaking the 58/\$ barrier and global stocks potentially taking a breather after hitting new all time highs, the PSEI is likely to meander in the near term. Nimble bargain hunters may use excessive volatility to add to their equity positions.

After a volatile week, the PSEI ended up flat. With corporate earnings mostly complete, the market-moving news came from the currency front. Despite the lack of significant movement from the US dollar, the Philippine peso broke through the 58/\$ level. Economists point to the BSP's less hawkish rhetoric and the "modest" intervention in the open market as the reasons behind this. That said, it is important to note that BSP's mandate is to maintain stable inflation rather than target a specific exchange rate.

The broadening in stock market performance is also looking shaky last week. Unless we see a broad rally across sectors and different geographical regions, it is unlikely that Philippine stocks will receive significant foreign inflows. In fact, whatever net inflows the market receives is concentrated in just a few names with the broad index suffering from net outflows.

A major index rebalancing exercise in the end of May is likely to lead to sharp price movements. This may be used as an opportunity to adjust one's portfolio.

Philippine Stock Exchange Index (PSEI) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: After some positive sentiment from the Fed and surprising news that BSP may cut as early as August, market lifted offers as much as 30bp. But rally fizzled out has given up more than half of its gains. With no new leads, players are now just on the sidelines waiting for direction. For now, we look to stay neutral as well.

New inflation data from the US should be coming out this week, which should hopefully see some more slowdown in prices. With BSP surprisingly dovish, and looking to cut once or twice this year, 10y at around 6.8% most likely the high level for now and close to this level should be a good entry point. BSP has also lowered its inflation forecast for the year. For now, we remain on the sidelines and wait for direction.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of May 24, 2024
1M	5.7712
3M	5.7881
6M	5.9429
1Y	6.0323
3Y	6.3867
5Y	6.5117
10Y	6.7171

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.

