

ADVANTAGE POINT

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

EQUITY OUTLOOK

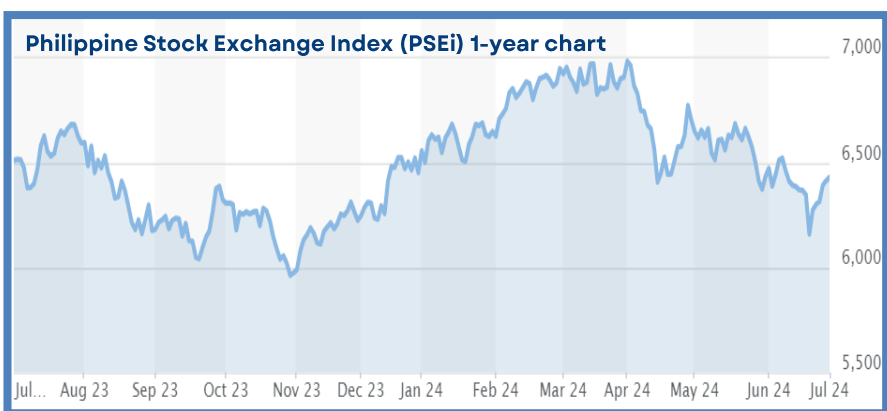
Market Outlook: Neutral
Sector Picks: Index heavyweights, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technical sources: Support at 6400 followed by 6200, Resistance at 6700 followed by 7000
Trading Strategy: Pockets of foreign buying, bargain hunting and window dressing lifted the PSEI. With the market expected to consolidate in the near term, it may be better for buyers to wait for dips rather than chase rallies.

After losing nearly 6% over 2 weeks, bargain hunters finally pounced as they scooped up many oversold index names. A few stocks also proved to be market leaders, helping lift the index back to the 6400 level. Semester end window dressing was also evident in the outsized upmoves of some names. The PSEi gained 4.1% this week as it closed out 1H24.

On the FX front, the BSP signalled "forceful intervention" in the FX market after its policy meeting. With BSP Governor Eli Remolona, Jr. waxing even more dovish, the peso should have weakened. However, before it could even touch the 59/\$ level, the BSP came to the rescue.

Despite leaving rates unchanged at 6.5%, Remolona said that "the balance of risks to the inflation outlook has shifted to the downside for 2024 and 2025 due largely to the impact of lower import tariffs on rice." He added that "if we follow the course of where we think we are, that could mean 25 basis points of cuts in the third quarter, and then 25 in the fourth quarter."

Even with this signalling, the peso appreciated by 0.2% this week. Still, if 2 rate cuts are a foregone conclusion regardless of the US Fed's movements, then the narrowing interest rate differential will continue to pressure the currency.



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: Some divergence being seen as treasuries are higher due to inflation being sticky in the US, while BSP is optimistically dovish in its comments. With the first presidential debate in the books, market is also gauging what a Trump or Biden presidency will look like, and will it affect the Fed's moves in any way. For now, we still would remain cautious as market just seems to be stuck in a range.

In its meeting last week, BSP sounded very dovish, with optimism that inflation will continue to fall lower, as it is currently below 4%. This looks to go lower as rice tariff cut goes into effect this week. We will be getting CPI coming out also, so we shall see if the downward trend is intact. For now, BSP is projecting a cut in August. This news however should put some pressure on the PHP, as the interest rate differential will widen vs the USD. However BSP sees this as not that big of an impact on inflation, but this is a risk nonetheless. For now, rates are in a tight range, with the 10y at 6.6 and the 5y at 6.4.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates Benchmark Tenors



Tenor	BVAL Rate as of June 28, 2024
1M	5.6338
3M	5.7433
6M	6.0035
1Y	6.0741
3Y	6.3153
5Y	6.4298
10Y	6.6535

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