

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
Technicals: Support at 6400 followed by 6200, Resistance at 6700 followed by 7000
Trading Strategy: The index gained another 22% this week as foreign funds rotated into cyclical and value plays, one of which is the Philippines. Laggards rebounded sharply and global tech winners entered correction territory. However, with the PSEi hitting resistance, the market may be ripe for a breather.

The PSEi continued its recovery and is up for its 4th straight week. Because of its 2.2% gain this week, the PSEi is now up 5.3% YTD. Foreign funds piled into laggards and beneficiaries of lower interest rates, such as property stocks.

On a global scale, we see this rotation as well. The Magnificent 7 dragged down the tech heavy Nasdaq, which fell 2.7% in just one day. This is in contrast to the more cyclical Dow Jones index which was on a 6-day win streak before it succumbed to weakness as well. We will be monitoring news that has the potential to drag down global stocks, such as the global outage of Microsoft Azure and CrowdStrike.

Banks kicked off 2Q24 corporate earnings season. We note that those that reported above forecast earnings saw their stock prices respond accordingly. With global macro now tilting in our favor, we expect corporate fundamentals to have a more significant impact on stock prices.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: As expected, after a large rally in local bonds, rates have seemed to hit some resistance at around the 6.2 handle. We see a flat curve from the 5yr up to 10yrs with a range of around 6.15 to 6.25. With the 10y UST also just hovering around 4.2, this looks to be the level to hold for now. We most likely will be on the sidelines and will look to reinstate some positions if there is an uptick in yields.

This week we have PBBM SONA, which may provide some news on such things as rice prices, and of course the WPS issue. However most of the direction (or lack thereof) in yields is coming from data in the US registering as expected. It looks like there is some improvement on the inflation front, paving the way for a cut from the Fed as early as September, though more likely is the first cut would be in November. Here in the Philippines we are expecting the BSP to push through with an August cut. We also have the SONA this week, as well as a 20y reissue.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of July 22, 2024
1M	5.1865
3M	5.3281
6M	5.6840
1Y	6.0204
3Y	5.9606
5Y	6.0660
10Y	6.2481

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