

ADVANTAGE POINT

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

EQUITY OUTLOOK

Market Outlook: Cautious
Sector Picks: Index heavyweights, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technicals: Support at 6500 followed by 6200, Resistance at 6800 followed by 7000
Trading Strategy: We are in the middle of corrective wave that accelerated after Trump's victory. It may be best to keep some cash on hand and maintain a defensive portfolio.

After 3 straight massive down weeks on the back of foreign selling, the PSEi hit extreme oversold levels. After hitting a low of 6557, the index bounced back to as high as 6975. Alas, 7000 is once again a resistance level. We are clearly in the middle of a corrective wave.

With technicals pointing to weakness, fundamentals are not helping either. 3Q24 earnings showed weakness in the consumer, property and gaming sectors, causing both local and foreign investors to reduce their positions in names that missed expectations.

On the currency front, the Philippine peso hit a 2-year low as it closed at 59/\$. Dollar strength is weighing on all emerging market currencies and is likely to continue to do so in the near term. The unravelling of the peso and PSEi's rally went hand in hand.

The lack of catalysts and negative sentiment after Trump's victory will continue to weigh on markets until he gives more clarity on his policies. Unfortunately, with his proclamation still 2 months away, we may have to simmer a bit longer.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: We are still on the sidelines as market activity has been mostly subdued these past weeks. Not much data coming out but this week we should get some comments from Fed officials and Fed minutes should give us some idea of what they think about further rate cuts. In the meantime, geopolitics and Trump news take the forefront, which is keeping traders defensive. We remain defensive as well but look for opportunities to take in bonds at closer to the 6% handle on the 5y tenor.

These past weeks have been light on data, especially on the inflation forefront so market is focusing on news from the US. Trump treasury nominee Scott Bassett is cheered by the markets, as US equities rally to new highs and 10y UST falls to below 4.3. A known hawk, Bassett should overall be good for markets and growth, but not to the extreme where the economy could stall. In other news, Trump declares that on day 1 in office he would impose a 25% tariff on Mexico and Canada goods. Also, oil prices are down, due to some progress in talks in the Israel-Hamas conflict. Here locally, market is still on the sidelines and should continue to be so until more data comes out.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates Benchmark Tenors



Tenor	BVAL Rate as of November 22, 2024
1M	4.9519
3M	5.5332
6M	5.8988
1Y	5.9409
3Y	5.9112
5Y	5.9575
10Y	6.0215

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