

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 6500 followed by 6200, Resistance at 6800 followed by 7000
Trading Strategy: Despite continuous foreign selling after US elections, the PSEi managed to end 2024 slightly in the green, ending a 4-year drought. In 2025, we expect stockpicking to still be the name of the game as bulk of positive returns are concentrated in just a small number of names.

The PSEi managed to avoid a 5th straight down year as it ended 2024 up 1.2%. However, because of the Philippine peso's 4.2% depreciation, the 2024 return of the index in dollar terms is -3.1%. Foreign flows turned sharply negative post-US elections and stayed that way all the way into yearend.

The Philippine peso managed to end the year at 57.80/\$, comfortably far from major support of 59. Peso strength is critical to domestic risk assets, so the BSP's monetary policy action and the resulting interest rate differential will be strong determinants of asset performance in 2025. With inflation falling within target, the BSP will have more room to cut rates, but we note that the US Fed has actually reduced the number of projected rate cuts in 2025.

Philippine Stock Exchange Index (PSEi) 1-year chart



As a sector, only banks performed well as a group. Across other sectors, we saw mixed performance with earnings trajectory and index weighting being the main determinants of price performance. Though we are lacking in catalysts, valuations for companies that continue to grow earnings have become more and more attractive as the years went by.

With valuations on our side, investors will likely wait for incoming US President Donald Trump's policies before making major moves.

Until then, let's enjoy the holidays. Happy New Year everyone!

BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: Next week will mostly be the start of 2025 as it is a very shortened week with the end of 2024. We should probably not expect much trading as most trader have already finalized their positions. We have already seen profit taking bringing up yields back to around 6.25, which should be a good entry point to start off 2025. For now, we will also stay sidelined as we finish 2024 and ring in the new year.

This week is technically the end of 2024 as next week will be a holiday shortened week. Looking forward to 2025, markets will be trying to figure out the path of central banks, since US economic data is still relatively strong. This, coupled with inflation risks to the upside could have the Fed slow down their rate cutting for the year. This would also mean that BSP will probably slow down, as we predict that BSP will likely keep in lockstep with the Fed, but with room to cut the RRR instead to support PH economic growth.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of December 26, 2024
1M	5.8585
3M	5.9139
6M	6.0224
1Y	6.0206
3Y	6.0468
5Y	6.0973
10Y	6.1227

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