

# WANTAGE POINT

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

## EQUITY OUTLOOK

**Market Outlook:** Neutral  
**Sector Picks:** Index heavyweights, Consumer and property stocks trading at depressed valuations. Bought URC – buying back  
**Technicals:** Support at 6000 followed by 5,700, Resistance at 6200 followed by 6500  
**Trading Strategy:** MSCI rebalancing may be an opportunity to buy stocks at bargain prices. However, Trump's tariffs may lead to negative sentiment. Still, at current price levels, stocks with a growth runway are already providing a large margin of safety.

The otherwise stable PSEI went crashing down last week as MSCI rebalancing resulted in PhP 3.4 billion in net outflows on Friday alone. This caused the PSEI to lose 2% on the day, closing at 5998, a tad below the crucial support level of 6000. We expect this drop to be short-lived as stocks bounce back from the forced selling.

Philippine Stock Exchange Index (PSEI) 1-year chart



However, US President Donald Trump decided to resume tariffs of 25% on imports from Mexico and Canada, while doubling the initial 10% tariff on China imports. After a brief pause, these will go into effect on March 4. At the same time, he announced potential tariffs on copper, semiconductors and automobiles. With the trade war going global, trade-related stocks might underperform and inflation might not fall as much.

We expect tariffs to hit the emerging markets complex as a group. Though the Philippines is relatively insulated because it's a net importing country, the stock market may suffer from foreign outflows resulting from Trump's policies. Even the meteoric rise of China and HK stocks was stopped in its tracks as Trump was resolute in his tariff policies.

## BOND OUTLOOK

**Market Outlook:** Neutral  
**Trading Strategy:** We seem to have hit resistance for yields currently, with risks outweighing liquidity windfalls from the RRR cut news. Trump saying that tariffs will proceed have markets wary. Local bond yields have hovered a little below the key 6% handle but have no conviction to go further. For now, we remain on the sidelines and would use any rallies to lighten up positions especially on the longer ends.

Risks for now seem to be tilted to the upside as Trump has announced that tariffs on Canada, Mexico and China will proceed this month. We also will get Feb CPI this month, which should still be within BSP target range. BSP has announced a sizeable RRR cut which should release about 300bn in liquidity into the market, which should keep bonds supported, but currently these levels seem to be where market would rather take profit for now. Given that there is a risk to inflation and with the Fed likely to be cautious in their cutting approach, we think that yields will stay put for now with a bias for going higher.

## PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates Benchmark Tenors



Tenor	BVAL Rate as of February 28, 2025
1M	5.0132
3M	5.2794
6M	5.6116
1Y	5.7842
3Y	5.8503
5Y	5.9212
10Y	6.1245

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