

# ADVANTAGE 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  
**Technicals:** Support at 6000 followed by 5700, Resistance at 6200 followed by 6500  
**Trading Strategy:** As we mentioned last week, there is significant margin of safety at current prices. There some indications that the PSEI may finally be bottoming. For those with cash and courage, this may be an opportunity to buy.

Despite experiencing an avalanche of foreign selling last week due to MSCI rebalancing, the PSEI managed to hold on to the crucial 6000 support level. Oversold index stocks bounced back this week, with some even seeing significant net foreign buying.

Note that the index recovered despite US President Donald Trump finally implementing tariffs of 25% on Canada and Mexico, as well as a total of 20% for China. This caused global markets to dip as investors realized Trump was serious. Still, 2 days after this announcement, Commerce Secretary Howard Lutnick announced that tariffs on Canada and Mexico will likely be delayed to April 2. This is the second such flip flop on tariffs by the Trump administration so far. As for China, it said it is ready for "a tariff war, a trade war, or any type of war." These policy u-turns will only serve to increase market volatility.

Domestically, February inflation came in at 2.1%, significantly slower than forecast. A continuous and significant slowdown in inflation will help consumers rebuild their savings and inspire more domestic spending. This also gives the BSP room to cut interest rates later in the year. Still, we note that the BSP's surprise pause was taken well by market participants, with both the Philippine peso and PSEI strengthening.

Philippine Stock Exchange Index (PSEI) 1-year chart



## BOND OUTLOOK

**Market Outlook:** Defensive  
**Trading Strategy:** Market has turned cautious again as Trump has proceeded with his tariffs and we not wait and see what this means globally. 10y USTs are stable however around the 4.25 level and but local bonds continue to see better sellers. Most levels along the curve have crept up decisively to the 6% level but at around 6.2 towards the 7 to 10y we should see support. Feb CPI is also lower at 2.1 vs 2.6 expected so BSP should remain supportive. Nevertheless we would use any rallies to lighten up especially on the longer end of the curve.

Feb CPI has shown that inflation locally is still on the downtrend, driven by lower food prices. This should allow the BSP to remain supportive, if not with rate cuts then with cuts to the RRR. Thus we should see local rates hold around these levels with the 6% or higher being a support area. However with global uncertainty, we would be wary of adding to positions for now. The Trump tariffs and Ukraine Russia tensions are causing a risk off sentiment, which would not be good for EM.

### PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of March 07, 2025
1M	4.9877
3M	5.2702
6M	5.5681
1Y	5.7941
3Y	5.9134
5Y	6.0092
10Y	6.2097

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