

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 6500 followed by 6700
Trading Strategy: Liberation day is here and worse than expected tariffs triggered a historic bloodbath. US stocks and exporters were the hardest hit, with the Philippines being relatively insulated. It may be best to wait for the dust to settle before increasing equity exposure. Still, the economy of the Philippines shields it from Trump's reciprocal tariffs. This may help our market eventually outperform our more export-oriented peers.

Many investors were prepared for a surprise on April 2. But even the most bearish were still floored by the bloodbath that ensued on what US President Donald Trump calls "Liberation Day". Trump announced tariffs on more than 100 countries, with total tariffs as high as 54% in the case of China. This global salvo against practically every country with which the US has a trade deficit was far worse than anticipated.

The massacre spread across the world, but US stocks were among the worst hit. The Dow Jones index lost 1,679 points or 4% for its worst drop since June 2020. The tech heavy Nasdaq Composite plunged 6% - its worst one day drop since the COVID outbreak. Collectively, the Magnificent 7 lost more than \$1 trillion in value. But tech was not the only sector that got bludgeoned as many companies with diversified supply chains from coffeeshops to furniture makers plunging by double digit percentages.

Fortunately, the Philippines got one of the lowest reciprocal tariffs, coming in at just 17%. With our manufacturing and export sector far behind our Asian peers, our country did not have a massive trade surplus with the US. If these tariffs stay, this may be an opportunity for the Philippines.

The low export exposure of listed companies also accounts for why the PSEI only lost 1% this week. Not only is foreign positioning light, but most listed stocks generate their revenues primarily from the domestic economy. Net foreign sell only amounted to PhP 850 million, which is a paltry amount compared to the exodus from our Asian neighbors recently.

The tariff news overshadowed March CPI which at 1.8% is the lowest figure since May 2020. This is a welcome development for consumers who suffered from high commodity prices for nearly 3 years already.

On the currency front, the Philippine peso appreciated to 56.82 as the dollar plunged. If history serves as any guide, further appreciation for the peso will eventually lift our stock market

Philippine Stock Exchange Index (PSEI) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: As yields have come down considerably due to low inflation and following US rates lower, levels now seem to be pricing in much of the BSP anticipated cuts for this year. We think that these levels may be a good time to lock in gains, especially as we are expecting BTR to potentially issue an RTB for this year's funding requirements soon.

With tariff tantrum risking an all out global trade war, 10y UST has dropped to below 4% on risk off sentiment. US equities have fallen into bear market territory and the possibility of a recession in the US has risen to 60%. Meanwhile, inflation in the PH comes in at sub 2%, bolstering the case for the BSP to continue with rate cuts in its meeting this week. However, rates have already come down considerably, pricing in most of the anticipated cuts. We believe that with so much global uncertainty, and with tariffs potentially causing prices worldwide to rise, we would be cautious at these levels.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates Benchmark Tenors



Tenor	BVAL Rate as of April 04, 2025
1M	5.1288
3M	5.3454
6M	5.6819
1Y	5.7735
3Y	5.7408
5Y	5.8320
10Y	6.1019

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