



**Philequity Corner (February 4, 2019)**  
**By Wilson Sy**

### **Lucky Pig**

After a bearish 2018, the PSEi welcomed 2019 with a bang. The Philippine index delivered a return of 9.08% (or 9.76% in dollar terms) in just one month, thus earning the title as the “best stock market in Asia to date.” As we welcome the Chinese New Year on February 5, we take this time to reflect on the challenges fetched by the outgoing Year of the Earth Dog. We also look forward to what the upcoming Year of the Earth Pig has to offer.

### **Treacherous Dog**

In our article last Chinese New Year (*When the dog bites*, February 12, 2018), we wrote how dogs come in many different breeds and temperaments. Unfortunately, many investors were bitten by the Earth Dog, which turned out to be a treacherous beast instead of a loyal companion. In fact, 2018 proved to be a tricky and volatile year for all asset classes. The Philippine peso, which began the year at P49.96, weakened to as much as P54.35 against the US dollar. Last week, the peso closed at P52.25. Globally, oil prices rose as much as 30% at the peak. Meanwhile, the PSEi started strong, reaching an all-time high of 9,078 in January, only to fall to a low of 6,791 in October. The index has since recovered sharply by 20% and entered bull territory when it closed 8,144 last Friday. The S&P 500 entered bear territory last Christmas Eve and has bounced 15% from the bottom. These violent movements baffled fund managers all over the world.

### **Prosperous Pig**

Coming from a disloyal Year of the Dog, many investors are eager to welcome the reign of the prosperous Pig. The Year of the Earth Pig will start on Tuesday, February 5 and will last up to January 24. According to Chinese belief, the pig is a symbol of wealth, fortune, and abundance. Its big ears represent long life and good luck. As one of the earliest domesticated animals, the pig was an important part of family life and the Chinese word for home is actually composed of two words: roof and pig. This is in contrast with the Western perception of the pig as dirty and lazy. Under the Chinese zodiac, those who are born in the year of the pig are typically generous, honest, forgiving, and optimistic. Famous people born under the pig zodiac sign include Elton John, Julie Andrews, Simon Cowell, Luciano Pavarotti, and Hillary Clinton.

### **Fattest returns in pig years**

Feng shui experts predict that the Year of the Earth Pig will be calm and harmonious, guided by the pig’s gentle nature and rooted in the stable Earth element. As a symbol of prosperity, the Pig is also expected to bring an abundance of opportunities to be reaped.

Looking at historical data on the S&P 500 from 1928 to 2018, Pig years deliver the fattest returns compared to other Chinese zodiac signs. As seen in the table below, average returns are

14.8% in Pig years versus 7.0% in other years. Moreover, Pig years have a positive batting rate of 71.4% with returns ranging from -8.9% to 54.7%. On the local front, the best year for the PSEi is the Year of the Rooster. However, our data for the Philippine market only covers two complete zodiac cycles. For our analysis, we only included PSEi data from 1987 onwards because: 1) there was no PSE yet due to the existence of two rival Manila and Makati stock exchanges; 2) there was no equivalent composite index to the current PSEi; 3) listed companies in the market mostly belonged to the oil and mining sector; 4) average daily trading volume in the years before the 1986 EDSA Revolution was moribund with minimal activity.

Year	S&P 500	PSEi	Year	S&P 500	PSEi
Rat	7.5%	-13.9%	Horse	6.1%	-3.9%
Ox	5.2%	4.5%	Sheep	4.7%	26.8%
Tiger	13.7%	19.6%	Monkey	8.3%	14.9%
Rabbit	9.4%	27.6%	Rooster	11.6%	47.7%
Dragon	8.4%	6.7%	Dog	5.1%	10.3%
Snake	-2.7%	2.1%	Pig	14.8%	9.0%

*Source: Wealth Research*

### **Improving fundamentals for the stock market**

True to form, prospects for the stock market are already looking brighter for this coming Year of the Pig. Improving fundamental and macroeconomic factors have lifted Philippine equities to become the best stock market in Asia year-to-date.

Last week, Fed Chair Jerome Powell gave a speech that he will be patient and sensitive to economic data with regard to monetary policy. Powell's game-changing statement caused global equities to rally as he eased fears that Fed tightening may worsen an economic slowdown. Meanwhile, China's stimulus package to jumpstart its slowing economy bodes well for EM countries like the Philippines. Recent progress in US-China trade talks has invigorated market sentiment while an eventual resolution of the trade war should support global economic growth. On the domestic front, easing Philippine inflation has helped stem heavy foreign fund outflows while election-related spending should be a catalyst for domestic consumption and economic growth.

Considering all these positive developments, we believe the Year of the Pig should be more prosperous for investors compared to the treacherous Year of the Dog. We look forward to welcoming the Chinese New Year as the fundamentals look brighter for equities.

### **Investor briefing on February 9**

To usher in the Year of the Lucky Pig, we will discuss our market outlook during our investor briefing this Saturday, February 9, 2019, 9 am at the Meralco Theater. We have also invited a feng shui expert who will give their advice on how to approach the Year of the Pig. Philequity investors who wish to attend are requested to register early for the event as seats are being filled-up quickly. Happy Chinese New Year to everyone!

*Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit [www.philequity.net](http://www.philequity.net) to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 250-8700 or email [ask@philequity.net](mailto:ask@philequity.net).*