



Philequity Corner (January 27, 2020)
By Wilson Sy

The Resourceful Rat

Last weekend, we welcomed Chinese New Year with sumptuous feasts and colorful festivities. Not only did we mark the end of The Year of the Earth Pig, but we are also starting a new 12-year cycle. Moreover, in the Roman calendar, this is the start of a new decade as well. From January 25, 2020 to February 11, 2021 we will be under the auspices of the Metal Rat.

Characteristics of the Rat

According to Chinese mythology, the sequence of animals in the Chinese zodiac was determined through a contest. Since the other animals were faster and stronger, it was unlikely for the small Rat to win first place. However, it is said that the shrewd Rat rode on the back of the Ox and jumped off just at the right time, beating the competition and becoming the herald of a new Chinese zodiac cycle. This shows how opportunistic, pragmatic and resilient the Rat is.

Just like the rat, Chinese astrology says that people born in Rat years are adaptable, resourceful, intelligent and industrious. They are also thrifty and plan very carefully. Moreover, they are clever and quick thinkers. Examples of famous people born in the Year of the Rat are William Shakespeare, George Washington, Galileo Galilei, Pope Francis and Mark Zuckerberg.

Lucky numbers and colors

For the superstitious, it is said that the lucky numbers this year are 2 and 3, while lucky colors are white, blue, green and gold. Coincidentally, the Pantone color of the year is classic blue. On the other hand, geomancers say people should avoid numbers 5 and 9, as well as the color yellow. Initiatives should also be more carefully planned this year in order to have a bountiful harvest.

The past year of the Pig – a mix of good and bad luck

Last year, we wrote about how 2019 could be a prosperous year according to feng shui (see *Lucky Pig*, 4 February 2019). Unfortunately, it seems that this depends where you are invested. While the S&P 500 made new all-time highs, the PSEi was volatile, listless and stuck in a range. Following the Gregorian calendar, the 2019 return of the US was 28.9% while the Philippines was up 4.7%. During the Year of the Pig, the US rose 20.4% while the PSEi lost 5.5%.

New year, new hope

With the Year of the Pig ending, many people are hoping for better times ahead in the Year of the Rat. There were several significant events that roiled markets last year.

1. **African swine flu (ASF)** – Ironically, the pig itself was not very lucky during its year as ASF led to the culling of tens of millions of pigs in China, causing pork prices to skyrocket. In many

countries, including the Philippines, many people got scared of consuming pork because of fears over ASF.

2. **US-China trade deal negotiations** – Stock markets around the world swung up and down based on Trump’s tweets and news flow regarding US-China trade negotiations. With the signing of the Phase One deal, markets heaved a sigh of the relief as the path forward is towards de-escalation instead of escalation. With the US-China ties warming up, we are hopeful that both sides will work towards the enforcement of the Phase One deal and pave the way for Phase Two.
3. **US-Iran conflict** – After withdrawing from the 2015 nuclear deal with Iran, the conflict between the US and Iran took a turn for the worse as violent attacks on the US Embassy in Iraq prompted Trump to retaliate. This led to the death of Iranian General Qasem Soleimani. This caused oil prices to spike as Iran fired rockets at US installations and vowed more retaliation. Fortunately, it looks like this has quieted down. Oil has likewise pulled back and is now back to pre-conflict levels.
4. **2019 Wuhan novel coronavirus (2019 nCoV)** – This new virus originated from Wuhan and brought back memories of the 2002 SARS epidemic which infected thousands of people all over the world, eventually causing hundreds of deaths. More than a thousand people are reported to have been infected by 2019 nCoV, with at least 41 deaths as of this writing. We hope that the swift response of governments and health officials will be able to put 2019 nCoV under control before it infects more people.
5. **Review of water concession contracts with Manila Water and Maynilad** – since December, water-related stocks were battered by increasing regulatory risk, which dragged down the broad market. Recent news indicates that the water companies can continue their operations as normal, with changes to their contracts applying after their concessions expire in 2022. We hope for an amicable resolution to this issue that is acceptable to all parties involved.
6. **Taal volcano eruption** – Just when the Year of the Pig was about to end, Taal volcano suddenly woke up. This reminded Filipinos of Mt. Pinatubo and Taal’s last violent eruption in 1965. The initial ashfall carpeted nearby provinces and reached even Metro Manila. Fortunately, Taal volcano has quieted down in recent days. We pray that this signals Taal volcano’s return to dormancy. Fears of a destructive eruption have put Filipinos on the edge, especially those living near the volcano.

Market outlook on February 8

We are not experts in telling fortune, so we will leave it to the feng shui masters to determine who is lucky or unlucky this year. However, we can talk about the impact of these events on the stock market. On Saturday, February 8, 9AM, we will be discussing these and more during our market outlook briefing at Meralco Theater. Please register early to reserve your seats.

We wish for more positive surprises and less volatility in the Year of the Rat! Gong Xi Fa Cai!

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit 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) 689-8080 or email ask@philequity.net.