

VANTAGE POINT

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

EQUITY OUTLOOK

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER, FINANCIAL NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES.

TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6400 FOLLOWED BY 6700

The PSEi continued its ascent as global markets recovered from a corrective wave in October. As expected, the US led the way. With the strength in US stocks broadening to sectors outside of technology, other markets were lifted as well, including the Philippines.

The Philippine peso also continues to appreciate against the US dollar - another boon for our market. As of this writing, the PHP is already in the green YTD and is 2nd strongest Asian currency behind only the Indonesian rupiah. Inflation has finally reached a plateau, while inflation expectations are finally trending lower. A peak in rice prices and plunging gasoline prices go a long way for both household budgets and investor sentiment.

Corporate earnings, though mixed, show that index heavyweights are outperforming smaller companies. Strength in blue chips should help carry the stock market higher as valuations are already so low despite their growth. Note that the market is rising despite net foreign selling. If this reverses into buying, a strong rally is possible.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

Strength in global markets and the Philippine peso lifted the PSEi. Despite foreign selling, the index is up for its 3rd straight week and is comfortably above the major support level of 6000. With earnings season done, expect companies with positive earnings trajectory to carry the index higher.



BOND OUTLOOK

MARKET OUTLOOK: DEFENSIVE

TRADING STRATEGY

UST yields continue to stay at its recent lows of 4.45 as markets are now firmly viewing the Fed to be mostly done with its hiking cycle and are awaiting inflation to come down. We now move positively into bonds as we see momentum to bring rates lower. Key watch outs are inflation data points in the next few weeks, but if these should confirm that inflation is trending lower, we should see the bond rally sustain.



With the Fed holding steady, markets are optimistic that rates have peaked and that inflation will be softer from here. That has caused a good bond rally, as players rush to lock in duration. The benchmark 1069, which hit above 7% just a few weeks ago, was last traded at around 6.325.

Bonds across the curve have similarly seen a drop in yields of around 50-70bp. BSP last week also paused its rate hikes, after the off cycle hike to temper inflation expectations.

If inflation looks to indeed be in check, we may continue the bond rally into the new year, with some players likely to lock in profits before the year ends.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of November 17, 2023
1M	6.1629
3M	6.1423
6M	6.3010
1Y	6.4916
2Y	6.3052
3Y	6.3309
4Y	6.3489
5Y	6.3692
7Y	6.4226
10Y	6.5390
20Y	6.7486
25Y	6.7502



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