

# VANTAGE POINT

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

## EQUITY OUTLOOK

**MARKET OUTLOOK: CAUTIOUSLY BULLISH**

**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 steep November rally in global stocks took a break to start the month. Still, US equities continue to outperform emerging markets. Recently, we note that the S&P 500 is set to consolidate while Asian stocks have been falling. It would be hard for the PSEi to maintain its strength if all its neighbors are moving in the opposite direction.

Fortunately, a number of factors are keeping the index afloat. First is the BSP maintaining its hawkish stance. By keeping policy tight for the near term, it shows how adamant the BSP is in fulfilling its mandate. Second is the strength of the Philippine peso which still continues to be the best performing Asian currency against the US\$ YTD. Third is the November inflation figure coming in at 4.1%, which is both below consensus forecasts of 4.3% and the October print of 4.9%. These are broadly positive for Philippine equities, hence the PSEi's relative strength.

However, we would rather buy on dips than chase rallies. Nimble investors may add equity exposure as blue chips fall back to strong support levels.

**Philippine Stock Exchange Index (PSEi) 1-year chart**



### TRADING STRATEGY

Despite weakness in global markets, support of 6200 continues to hold. While foreigners are still mild net sellers, we are seeing foreign buying in select blue chip stocks. This may be a sign that nimble foreign investors are starting to see value in Philippine stocks.



# BOND OUTLOOK

MARKET OUTLOOK:  
**NEUTRAL**

## TRADING STRATEGY

Market has seen a huge rally in the past weeks, so it is only normal to have some resistance and profit taking at these levels. Most likely factor also is the Christmas holidays coming up. We will probably see market stall out around these levels, with movement drying up. For now we will also be staying on the sidelines and use rallies to lighten up.



Data coming out is still highly encouraging that inflation is under control in the US and also here on the homefront. Both the Fed and the BSP look like they are on hold for now, with the likelier move to be a cut rather than a rate hike.

10y USTs have stabilized at around 4.4 while the 10-69 has found some resistance around 6.2. These levels are still attractive, though with the sudden drop in yields, it is expected that profit taking would ensue.

With the end of the year fast approaching as well, most likely we will see the market stay sideways for now.

PHP BVAL Reference Rates – Benchmark Tenors

| Tenor | BVAL Rate as of December 07, 2023 |
|-------|-----------------------------------|
| 1M    | 4.9262                            |
| 3M    | 5.1506                            |
| 6M    | 5.2568                            |
| 1Y    | 6.0749                            |
| 2Y    | 6.0471                            |
| 3Y    | 6.0861                            |
| 4Y    | 6.1057                            |
| 5Y    | 6.1154                            |
| 7Y    | 6.134                             |
| 10Y   | 6.173                             |
| 20Y   | 6.3082                            |
| 25Y   | 6.3103                            |



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