

VANTAGE POINT

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

EQUITY OUTLOOK

MARKET OUTLOOK: CAUTIOUSLY BULLISH

SECTOR PICKS: INDEX HEAVYWEIGHTS, PROPERTY OR CONSUMER, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6400 FOLLOWED BY 6200, RESISTANCE AT 6700 FOLLOWED BY 7000

After a strong 2023, global markets started the year in the red. Major equity indices are down anywhere between 1-3% as of this writing as profit-taking, recession concerns and escalating US-China tensions sapped some bullishness.

On the other hand, the PSEi which closed in the red last year is off to a strong start as it broke the 6500 level and is firmly in the green YTD. Index heavyweights led the way as we continue to see foreign buying, albeit selectively. After 4 straight down years, it may finally be our time to shine. However, we note that strength is concentrated in the largest and highest quality names.

Inflation is also slowly falling into the BSP's target range, with December inflation at 3.9%. However, with rice price inflation at its highest since 2009, household budgets will remain tight despite the slowing of the headline inflation figure. The price of critical commodities bears watching as these have a direct impact on consumers. We are also closely monitoring global economic data as a recession or the absence thereof will make or break investment strategies this year.

Still, we remain on hold for now as we expect strong price action to continue in the near term.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

After a blistering rally towards yearend, developed markets are off to a weak start. Fortunately, the PSEi is bucking the trend and is up more than 2% for the year. Technicals also indicate further upside for Philippine stocks. Continue to hold on to your positions.



BOND OUTLOOK

**MARKET OUTLOOK:
DEFENSIVE**

TRADING STRATEGY

With 10y UST climbing above 4% again, and with jobs data in the US stronger than expected, markets turn defensive as they reassess whether they were too optimistic in pricing in Fed rate cuts. We are on the sidelines for now but may look to purchase longer dated bonds if yields continue to get richer.



With the Fed and the BSP both having sounded more hawkish in recent comments, markets stay on the sidelines as they reassess the timing of rate cuts.

No one is predicting that inflation is turning upwards again YET. Thus, this is more of a correction after a huge rally to end 2023.

We wait and see whether there will be more clarity on inflation but levels now are looking enticing.



PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of January 05, 2024
1M	5.1855
3M	5.2265
6M	5.5084
1Y	5.8274
2Y	5.9078
3Y	5.9401
4Y	5.9774
5Y	6.0188
7Y	6.0815
10Y	6.1196
20Y	6.3207
25Y	6.3277

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