

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 7000 FOLLOWED BY 7400

The Philippine stock market continues its runup as it decisively breaks the 6700 resistance level. The PSEi is up for its 3rd straight week as net foreign inflows returned with a vengeance. On February 7 and 8, the market saw more than PhP 2 billion in net foreign buying.

High valuations in markets that outperformed in 2023 are causing investors to look for cheaper alternatives for the equity positioning. Weakness in China is also prompting institutions to reevaluate the weighting of their Asian positions. Both of these benefit the Philippines.

Technicals also point towards further strength for Philippine stocks. We believe it is only a matter of time before 7000 is broken decisively. Once this level becomes a support instead of a resistance, we will see a stronger recovery for domestic stock prices.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

With the PSEi successfully clearing the 6700 resistance level, the next major hurdle is 7000. With foreign flows returning and valuations still very cheap, this uptrend may continue. We continue to be buyers on dips.



BOND OUTLOOK

**MARKET OUTLOOK:
NEUTRAL**

TRADING STRATEGY

Crucial data coming out this week are the US CPI data, which should show that inflation is cooling as expected, though the Fed has already indicated that they must still be wary. Also on tap is the BSP MB meeting, where most are expecting a hawkish pause. Furthermore, with the new 5y RTB coming out soon, most players would be content to stay on the sidelines.

US CPI figures will be coming out soon, and if the trend downward continues, this should be a confirmation that the Fed will cut rates soon, but not as aggressively as many had hoped. 10y UST is already back at 4.18 as bets of a March cut are already being taken off the table.

Meanwhile, the BSP is also meeting this week, and Gov Remolona has already said that even if CPI for Jan showed a big drop, there is the likelihood that 2Q inflation will be a problem again, especially with El Nino causing food prices to go up. Though other prices are coming down, rice is still at record highs.



PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of February 02, 2024
1M	5.4486
3M	5.4610
6M	5.8095
1Y	6.0577
2Y	6.0206
3Y	6.0647
4Y	6.1023
5Y	6.1313
7Y	6.1665
10Y	6.1960
20Y	6.1027
25Y	6.0911

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