

ADVANTAGE 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/consumer, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technicals: Support at 6700 followed by 6400, Resistance at 7000 followed by 7400
Trading Strategy: With the exception of the biggest blue chips, market volume has dried up heading into Holy Week. Net foreign selling also continues, hence the listless movement of the PSEi. Still, we recommend buying on dips but sticking to quality.

The abbreviated trading week saw the PSEi eke out a small gain of 0.3% despite foreign selling. While volume did dry up for most stocks, we noticed significant transactions in heavyweight property and banking stocks. It is clear that foreign funds are still focusing on index heavyweights. Prior to the release of 1Q23 corporate earnings, we expect the PSEi to consolidate in the near term unless a new catalyst emerges.

In the past weeks, the Philippine peso has depreciated more than 1.5% against the US\$ and has decisively broken the 56/\$ level. It remains to be seen if 57 will be breached, but recall that the BSP defended this level with all its might previously. If the PhP remains within the 55-56.50 range, we do not anticipate it affecting markets significantly. Note that sharp peso depreciation leads to weaker stock prices.

Globally, the bull market in stocks has been broadening outside of the usual tech names. Other sectors and countries that were left behind by the AI rally have been rising recently as the valuation gap widened to multi-decade highs. This should benefit countries like the Philippines.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: As we return to work from the long Easter break, most market participants will most likely be on the sidelines as we look for more direction on what the Fed will do going forward. The Fed has already indicated that they will move only when appropriate and see that inflation is really in check. This is widely taken to mean that the first rate cut would come in June. As such, we also look to stay on the sidelines this week.

The Fed last week reiterated their cautious stance, saying that they will only move if appropriate. Here in the Philippines, we are looking at a hawkish BSP as well as the summer months contribute to food price increases. We also await CPI coming this week which should show food prices continue to rise. However, with the Fed looking to maintain its path to eventually cut rates for the first time in June, this should keep rates relatively stable in the range we have seen for the past month. We remain neutral.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates – Benchmark Tenors



Tenor	BVAL Rate as of April 01, 2024
1M	5.7072
3M	5.7252
6M	5.8946
1Y	6.0117
3Y	6.0956
5Y	6.1829
10Y	6.2339

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