

# 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, 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 7200  
**Trading Strategy:** Peso strength and the recovery of global markets were already setting the stage for a breakout of 7000, but MSCI rebalancing thwarted this attempt due to significant foreign selling. We expect markets to be volatile ahead of the Federal Reserve's September 18 policy meeting. Investors may stay on hold for now.

The PSEi's winning streak came to an end as MSCI rebalancing led to significant sell orders towards the close. While the index has been unable to definitively break the 7000 resistance level, we believe it is only a matter of time before the stock market breaks out.

With global markets recovering almost all their losses after the savage drop to start August, we are in a Goldilocks scenario of falling interest rates without a recession. Fears of the R-word dissipated as economic data from different countries only pointed towards a slowdown and not a contraction.

Dollar weakness and the unwinding of carry trades are benefitting Asian currencies as well, including the peso. So far, the peso has rallied 4% over 2 months against the US dollar. This is a positive for the government's fight against inflation and the stock market.

With investors still on the fence on the Fed's interest rate trajectory and the probability of a recession, we expect markets to be volatile and tentative until the Fed policy meeting on September 18.

Philippine Stock Exchange Index (PSEi) 1-year chart



## BOND OUTLOOK

**Market Outlook:** Neutral  
**Trading Strategy:** We get a shortened trading week as rains affect school and government offices. US coming off of the Labor Day holiday also has markets listless. This week is light on data, with the US jobs report on Friday the big one to take note. Thus we believe markets will mostly be on the sidelines for this week with a bias towards lightening up as we await the Fed rate cut.

With not much news on the horizon, we believe that markets will be cautious and stay on the sidelines for much of the week. The next watchout will be the US jobs data on Friday, which if weak will only raise the case for the Fed to cut later this September. It may even make the case that the Fed must do more cuts in a more aggressive manner, which should have rates rally again. But for now, markets are likely to stay sideways. We will also stay put for now but look to add to duration if local rates touch 6.2 or better.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of August 30, 2024
1M	5.6936
3M	5.9154
6M	5.9986
1Y	6.0825
3Y	6.0171
5Y	6.0432
10Y	6.0694

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