

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: 7000 has finally been broken! We expect volatility ahead of the Federal Reserve meeting on September 18, but would be buyers on dips nonetheless.

It was only a matter of time! This week, the PSEi finally closed above 7000 after many failed attempts. This is the first daily close above that level since February 3, 2023. We note that foreign participation was significant in this upmove.

This breakout was bolstered by the strength of the Philippine peso and the recovery in US equity indices. Every now and then, the peso appreciates beyond the 56/\$ level intraday. A convincing breakout beyond this level will point to further appreciation for the currency. If the peso continues its uptrend, equities are likely to do so as well.

US equities gained ground despite nervousness ahead of the Fed policy meeting on September 18. With economic data only indicating a slowdown and not a recession, investors have become less nervous. Odds of a 50 bps jumbo cut have also fallen. We will be watching both the Fed's actions as well as the market reaction.

With corporate earnings behind us, we expect the PSEi's performance to be driven by macro factors. The rotation out of US technology stocks has so far benefitted neglected countries such as the Philippines. Next week will provide clarity on the market's next major move.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: This week will be crucial as all markets will be waiting for the Sep 18 Fed meeting. Consensus is that the Fed will indeed cut for the first time in over a year, but the question is whether it will be 25bp or 50bp. Until then, markets will most likely stay sideways with a downward bias. We will also remain neutral for now to wait and see what the meeting will show.

On deck this week is the Fed meeting, where they will most likely start the easing cycle. The only question is whether it will be 25bp or 50bp. We believe that it would be prudent for the Fed to start off with a 25bp cut, but then most likely they will telegraph for more cuts down the road. In any case, markets are already anticipating the cut, so action will be very defensive until then. In the meantime we also have a 10y 1072 reissue, where market indication are around 6.05.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of September 13, 2024
1M	5.7832
3M	5.8616
6M	5.9899
1Y	6.0118
3Y	6.0083
5Y	6.0321
10Y	6.0926

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