

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

Support at 7200 followed by 7000, Resistance at 7450 followed by 7800 Technicals:

With foreign funds now returning to the Philippines, we expect the stock market to remain strong. However, given both the magnitude and duration of this rally, a Trading Strategy:

correction or consolidation is possible.

The PSEi is up for its 6th straight week as foreign buying continues, albeit at a slower pace. Note that despite holidays in China, foreign inflows brought the PSEi back up to major resistance levels. This is despite the lack of fresh corporate news, a pause in peso strength, and an escalating conflict between Israel and Iran.

September CPI came in at 1.9% - a massive beat over forecasts of 2.5%. Note that the reduction in rice tariffs have not kicked in yet. This is largely due to falling oil prices and the high base of food prices in late 2023. We also note that as consumer spending slowed down, many companies have resorted to promotions to lure buyers back in.

Hong Kong and Chinese stocks were still the superstars these past 2 weeks. HK stocks had their best 2-week rally since 2007 while Chinese equity indices traded up 8% before the weeklong holidays started, with many property names hitting limit up on consecutive days. While this took the shine away from ASEAN, further strength in Chinese stocks should eventually benefit the Philippines.

For now, we flows will dictate where stock prices will go. Note that the next major catalyst (or risk) for the market is just a month away - US presidential elections.

## Philippine Stock Exchange Index (PSEi) 1-year chart

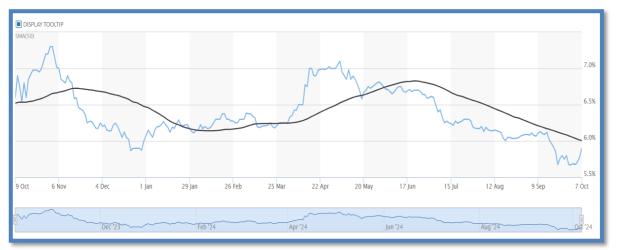




With Fed cuts now out of the way, the big worry in markets is the Middle East tensions as Iran strikes Israel, and an escalaton is jolting markets. This was coupled with a surprisingly strong jobs report, which has market reassessing future Fed cuts. 10y USTs are back above 4% and could go higher on the uncertainty. We look to be defensive for now and wait for capitulation from those who loaded up below 6%

10y UST yields are moving back above 4%, which will most likely lead local bond rates to approach or breach 6%. With rates already 40bp higher than the 5.5% low reached on the 5y RTB518, a few more basis points would likely trigger stop losses. With the threat of further escalation in the Middle East, and the inflation outlook muddled in the US due to the surprisingly strong jobs number, we think that there may be an opportunity to scale into bonds at attractive levels past 6%.

## PHILIPPINES 10 YEAR GOVERNMENT BOND



**PHP BVAL Reference Rates Benchmark Tenors** 

Tenor	BVAL Rate as of October 04, 2024
1M	4.6656
3M	5.1153
6M	5.2922
1Y	5.5086
3Y	5.5313
5Y	5.6068
10Y	5.7576

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