

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 7200 followed by 7000, Resistance at 7450 followed by 7800
Trading Strategy: We expect the PSEI to consolidate ahead of US elections on November 5. Peso weakness and the lack of fresh catalysts will likely cap any upmove of the stock market in the near term.

Over the course of 1 month, the Philippine peso depreciated from 55.50 to 57.80/\$. This sharp depreciation likely gave foreign funds some pause as peso weakness works against their dollar-based returns. Fortunately, we still saw PHP 1 billion in net foreign buy this week, allowing the benchmark index to crawl back to the 7400 handle.

With Israel indicating that it is more inclined to strike military installations instead of oil infrastructure, crude oil prices decline by as much as 10% from recent highs. Elevated oil prices are a major risk to the Philippines due to our reliance on imports. Less geopolitical risk is crucial to maintaining the uptrend of our stock market and economy.

With US presidential elections less than 3 weeks away, we do not expect investors to make sizable moves. That said, the movement of some asset prices indicate that a Trump win is the likely outcome.

Philippine Stock Exchange Index (PSEi) 1-year chart

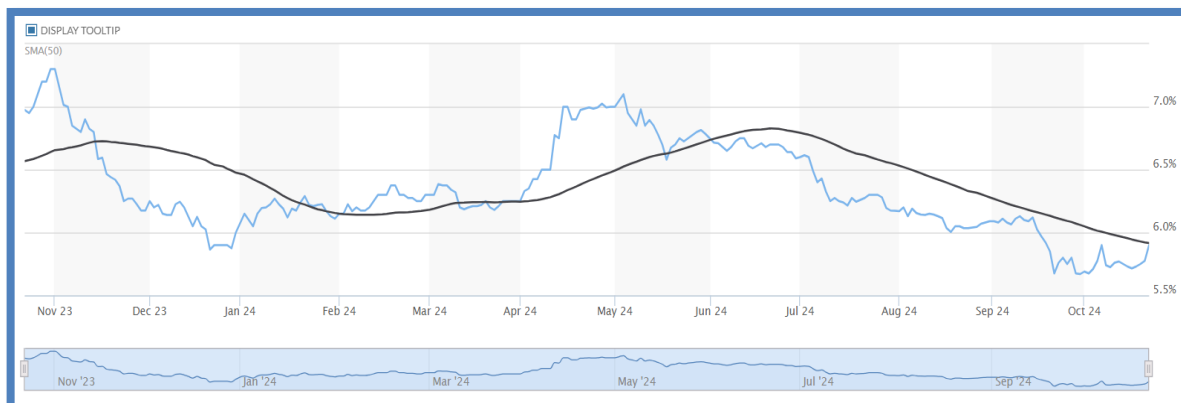


BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: We would like to continue to stay on the sidelines this week as data coming out on the inflation front seems to be showing a mixed picture. BSP cut its key rate by 25bp as widely expected, though mentioned that inflation risks for next year are tilted to the upside. With the US election just a few weeks away, and with tensions in the middle east simmering, markets are wary to be caught off guard.

Inflation expectations seem to be pointing higher, with the middle east tensions always a cause for concern. For now however things are quiet, and oil prices have come down, though more on weak demand more than anything. With no clear direction for now, markets will likely stay rangebound to defensive. The US election is also nearing and markets seem to be positioning for a Trump victory, which should send the USD higher, and could also be inflationary for prices if Trump were to push through with proposed tariffs on China products.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of October 18, 2024
1M	4.6131
3M	5.1499
6M	5.5836
1Y	5.6926
3Y	5.5616
5Y	5.6495
10Y	5.7378

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