

ADVANTAGE POINT

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

EQUITY OUTLOOK

Market Outlook :
Sector Picks :
Technicals :
Trading Strategy :

Cautiously bullish

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

As the S&P 500 continues to make new highs, a dollar u-turn and bond rout is ensuing as markets reprice Fed rate moves. With US elections on November 5, we expect the PSEI to consolidate on low volume until a clear winner emerges.

US presidential elections are set to be held in less than 2 weeks. This has investors on the edge because it is a tightly contested race against individuals with diametrically opposed policies. Surveys show that despite Vice President Kamala Harris' lead in the popular vote, former President Donald Trump is ahead in electoral college votes due to his advantage in crucial swing states.

The investment case from everything to stocks, bonds and FX can be made or undone depending on the results of US elections. That said, we note that some assets are already pricing in a Trump win.

At the same time, we have a repricing of bonds and FX due to a change in expectations of Fed rate cuts. Strong US growth figures are causing economists to dial back the number of rate cuts the Fed will implement next year. This caused the US dollar to make a u-turn. Asian currencies, including the Philippine peso, depreciated sharply. From 55.50/\$, our currency is approaching the 58/\$ level. A weak peso does not bode well for our Philippine risk assets. Bonds also dove as yields were deemed to low if the Fed will cut rates less than expected.

The magnitude of crosscurrents and uncertainty over the next 2 weeks gives us pause. We will likely refrain from making large moves pending the results of US elections.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook :
Trading Strategy :

Defensive

We continue to remain defensive as markets are taking their cue from elevated UST yields, as recent data coming out of the US is stronger and markets are gearing for a possible Trump victory in the upcoming US elections. With the Undas break also coming this week, most likely yields will be sideways to higher.

US data recently shows that US economy is still strong and this could influence the Fed to stay the course and be cautious in their approach to cutting rates. US yields are also rising on the back of Middle East tensions with Israel attacking Iran, sending oil prices back higher. Meanwhile it is only a couple of more weeks before the US election, and it looks likely that Trump emerges victorious, which could also be inflationary. Here in the local space, inflation may also see an uptick after the damage caused by typhoon Trami.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates
Benchmark Tenors

Tenor	BVAL Rate as of October 25, 2024
1M	4.6829
3M	5.1979
6M	5.8013
1Y	5.7292
3Y	5.6348
5Y	5.7156
10Y	5.8279



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