

# ADVANTAGE

# POINT

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

## EQUITY OUTLOOK

Market Outlook :  
Sector Picks :  
Technicals :  
Trading Strategy :

**Neutral**  
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  
Investors are on the edge ahead of US Presidential elections on November 5. Foreign investors derisked their portfolios ahead of this market-shaking event. We did the same as we wait with bated breath.

Almost nothing else matters as investors wait for US Presidential Elections on November 5. This pivotal event will determine major policies and asset price movements for the next 4 years. After next week, investment strategies may have to be completely overhauled. Thus, we are maintaining neutral to defensive positioning in the meantime.

Foreign inflows have also ground to a halt, with marginal foreign selling in the past 2 weeks, which partly explains weakness of Philippine stocks. In the past week, we saw net outflows of PhP 2.9 billion. We hope this does not accelerate. After a mammoth rally in 3Q24, a breather is actually welcome. Hopefully, support of 7000 holds instead of breaking and becoming a resistance level once again.

Not helping our case is the nearly 4% depreciation of the Philippine peso in October. Peso strength also underpinned the PSEi's breakout above 7000. With the currency back at the 58 handle, it would be difficult for our index to continue its uptrend. While we expect the peso to appreciate in 2025, it is largely a function of central bank policy and the interest rate differential vs. the US.

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



## BOND OUTLOOK

Market Outlook :  
Trading Strategy :

**Defensive**  
We remain defensive as markets will also probably be on the sidelines as we await the results of the US elections this week. A Trump victory is already seemingly priced in, with USD continuing its strength and UST yields rising. We also get PH inflation data this week which may see an uptick but should still firmly be in the 2-4% range.

All eyes will be on the US elections, and markets will probably be in a holding pattern until the results are known. Given that markets are pricing in a Trump victory, UST yields are elevated at 4.35 on the 10y. And USD continues to strengthen against global currencies. If we do see a Trump victory, we may eventually get a sell on news, which should see yields coming off their highs. For now, however we remain defensive and wait until local yields push to the 6% handle or higher to reinstate positions.

**PHILIPPINES 10 YEAR GOVERNMENT BOND**

PHP BVAL Reference Rates  
Benchmark Tenors



Tenor	BVAL Rate as of October 31, 2024
1M	4.7597
3M	5.3267
6M	5.7955
1Y	5.8008
3Y	5.6886
5Y	5.7608
10Y	5.8771

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.

