

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 7000 followed by 6800, Resistance at 7200 followed by 7450

Trump's historic victory and a potential red sweep sent US stocks to new all-time highs at the expense of emerging markets like the Philippines. We will remain on the sidelines for now as we expect significant foreign outflows.

The surveys were wrong - the US presidential race was not even close. As of this writing, Donald Trump has captured 295 electoral votes vs. 226 for Kamala Harris. Contrary to survey results, he also won the popular vote with 51% to Harris' 47.6%. The last time a Republican presidential candidate to win the popular vote was George W. Bush in 2004. Before that, it was Bush's father, George H. W. Bush, in 1988.

Further reinforcing Trump's mandate is a potential red sweep as the Republican party is set to gain majority in both the US Senate and House of Representatives. This was a low probability event that paves the way for Trump and his party to potentially railroad their most important policies on immigration, taxes, etc.

As a result of his victory, many investment strategies were upended. Interest rate expectations have to be revised higher, the US dollar strengthened, emerging market assets fell and cryptocurrencies made new all-time highs. The Dow Jones index gained 1500 points as it led US equity indices to record highs as Trump's policies are viewed to favor the US at the expense of China, Europe and other countries.

We expected weakness in the Philippines in case Trump wins, hence the defensive nature of our portfolios. With emerging markets now reeling, market expectations are clear. Now, we have to wait for his actual policies and pronouncements.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook :
Trading Strategy :

Defensive

Following a decisive Trump victory in the US Presidential elections, yields jump up to 4.35 immediately, but have since steadied at around 4.3 levels. This week is a data filled week in the US, with consumer and producer prices giving a direction on inflation and some Fed members speaking. We would like to be defensive this week, although we have seen that yields seem to be stabilizing already.

We remain defensive as data coming out in the US seem to be pointing to a very strong economy. A Trump win also has put a bid in yields, though this has softened over the past few days. Given that data coming out this week in the US could point to more inflation, which would give the Fed room to pause instead of continuing to cut rates, and with the recent election complicating matters, we think that rates could be risked to the upside, though we would likely start to scale in on local bonds at close to the 6% handle or higher.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates
Benchmark Tenors

Tenor	BVAL Rate as of November 08, 2024
1M	5.4736
3M	5.5078
6M	5.7651
1Y	5.7367
3Y	5.7618
5Y	5.8197
10Y	5.8899



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