

ADVANTAGE POINT

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

EQUITY OUTLOOK

Market Outlook: Cautious
Sector Picks: Index heavyweights, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technicals: Support at 6500 followed by 6200, Resistance at 6800 followed by 7000
Trading Strategy: Last week, we said expect a correction on the back of significant foreign outflows. This is exactly what we are witnessing. It may be best to not stand in the way of the stampede of foreign funds.

The viciousness of the foreign selling in the past week will send chills down the spine of even the bravest fund manager. Now on its fourth straight down week, the PSEi lost yet another 4.3%, for a total of 8% since US elections were held. A Trump victory combined with a Red sweep made investors flee emerging markets and go to the US. The prospect of less interest rate cuts also made the US dollar spike, to the detriment of other currencies, including the Philippine peso. Central banks in some countries, such as Indonesia, have announced that they will defend key levels for their currency. We surmise that the BSP may be defending the peso as well.

Foreign funds giveth, and foreign funds taketh away. The entities that fueled our 4-month rally also caused this savage correction as they rushed for the exits. In the first 2 weeks of November alone, net foreign selling amounted to PHP 12.85 billion. In other words, locals were absorbing more than PHP 1 billion pesos a day in outflows.

Since the PSEi has become extremely oversold, a technical bounce is likely. However, we note that some index stocks missed earnings forecasts by a wide margin. It may be best to avoid these. Moreover, it is hard to predict how lasting a bounce will be or if it will give way to a deeper correction. As long as foreign funds keep selling, expect stock prices to be pressured.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: With not much data on the horizon this week, markets will look to some Fed members for comments about where they see interest rates going. Market should be more or less sideways this week, given not much fresh leads. We look to remain defensive for now, though with levels close to 6%, this could start to be a good entry point, though staying nimble would still be the best strategy.

Not much to look forward to this week, which should keep markets on the sidelines for now. Yields seem to have stabilized at current levels with 10y UST hovering around 4.45 and 10y RPGB at 6%. These levels could prove to be enticing already, but for now there is no rush to enter the market in a big way. For now, it is best to stay on the defensive and wait for leads.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates Benchmark Tenors



Tenor	BVAL Rate as of November 15, 2024
1M	5.4530
3M	5.5763
6M	5.8205
1Y	5.8264
3Y	5.8657
5Y	5.9405
10Y	6.0722

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.

