

ADVANTAGE POINT

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

EQUITY OUTLOOK

Market Outlook:
Sector Picks:
Technicals:
Trading Strategy:

Cautious
 Index heavy weights, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
 Support at 6500 followed by 6200, Resistance at 6800 followed by 7000
 We are in the middle of corrective wave that accelerated after Trump's victory. It may be best to keep some cash on hand and maintain a defensive portfolio.

A brief respite was all it was. After attempting to break 7000 last week, the PSEi is succumbing to foreign selling once more and is heading towards next support of 6500. A strong dollar and lackluster 3Q24 earnings are to blame for this malaise. Moreover, the entire Asia is seeing net foreign outflows ever since US election results were announced.

Incoming US President Donald Trump's announcement of an additional 10% tariff on China imports and 25% tariffs on imports from Mexico and Canada also rattled markets. Offsetting this is his choice for the position of Treasury Secretary, Scott Bessent. A former hedge fund manager, he is viewed as supportive of Trump's policies, but also very likely to be more sensible and less extreme. He views import tariffs as a "negotiation tool", so the actual figure that is implemented may be lower than what Trump announced.

After this announcement, the US dollar weakened as Bessent is said to prefer a weaker US dollar as well as more oversight for the Federal Reserve. Combined with the BSP's defense, the 59/\$ level held and the peso is now experiencing marginal appreciation. Currency stability is crucial not only for the stock market, but for the economy as a whole.

Until such point that foreign funds stop reducing their emerging market exposure, it will be difficult for Philippine stocks to stage a sustainable rally.

Philippine Stock Exchange Index (PSEi) 1-year chart

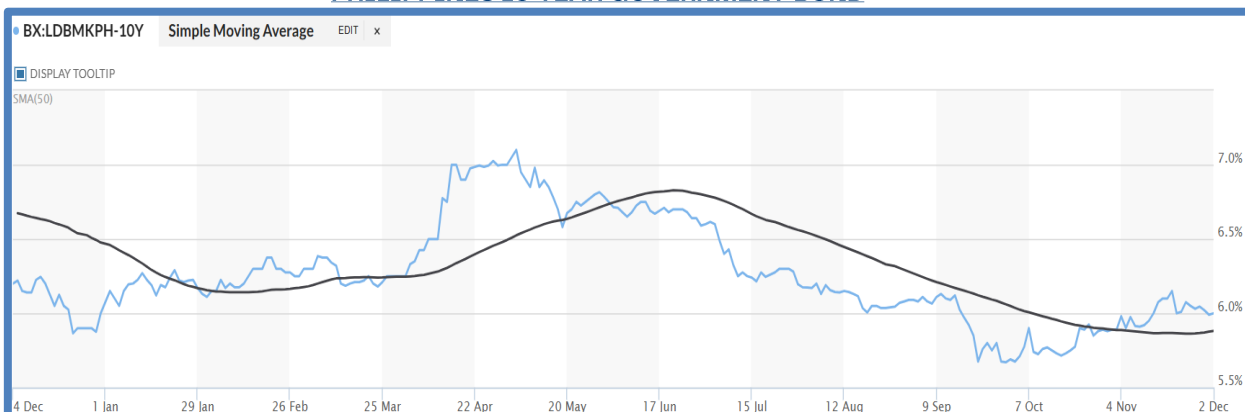


BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: Trading remains muted as data is relatively light and market is keen to just wait for new developments before moving. We remain on the sidelines as well, as much of the movement is coming from news about Trump's plans on tariffs. There should be some guidance on inflation locally as we get CPI this week, which may be higher than expected given extreme weather.

This week, we should get some news locally on inflation, which may be higher than expected due to the typhoons and oil prices bouncing higher due to the middle east tensions and the Russia Ukraine war re-escalating. CPI should still be firmly within BSPs target range however. Market meanwhile will most likely be on a holding pattern as we all await the Fed, which should continue to cut this month, but there is now some uncertainty as Trump comes into office in January.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of November 29, 2024
1M	5.0129
3M	5.6445
6M	5.9236
1Y	6.0048
3Y	5.9327
5Y	5.9568
10Y	5.9987

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