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



## EQUITY OUTLOOK

Market Outlook: Sector Picks: Technicals: Trading Strategy:

**Cautious** Index heavyweights, 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
Foreign selling continues, but the PSEi managed to stay above the major support level of 6500. With the market so oversold, we do not expect

significant downside from here as we head into yearend. Still, it is best to be selective in one's purchases.

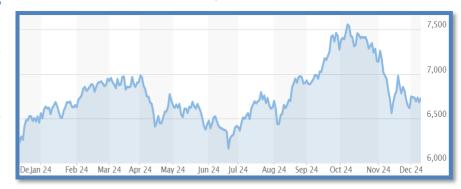
After yet another retest of support levels, the PSEi managed to gain 1.74% in the first week of December. Though foreign funds still net sold PhP 1.9 billion, the magnitude of selling has decreased significantly vs. November.

Not only are technicals indicating that we are due for a bounce, but the Philippine peso has also strengthened recently. Thanks to the BSP's defense and a pullback in the US dollar, our currency gained 2.1% in one and a half weeks. Given the correlation of our market to the currency, this is welcome news. We note that while some ASEAN currencies also strengthened against the US dollar, the Philippine peso had the strongest move in the past week. Further strength for the peso should help stem foreign outflows.

US equity indices continue to make new highs, the expense of emerging Historically, strength in US equities eventually life emerging markets if valuation gap becomes too wide.

It remains to be seen if we will have a Santa Claus rally, but a good start to December coming from oversold levels bodes well for the next 3 weeks.

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





/larket Outlook: **Frading Strategy:** 

We continue to remain defensive, although market has softened a bit following rates falling in UST. Overall yields are down around 5bp from last week. CPI came in higher than the previous month, though mostly expected due to the extreme weather. This week we watch out for US CPI, which should give a better idea of what the Fed will do going forward. As we get closer towards the yearend, we think most players will be keen to lock in gains or remain sidelined.

US CPI comes out this week, which could give us insight on where the Fed is. The consensus is still that they will cut in their December meeting, but it is getting complicated due to the policies that Trump wants to put into place when he resumes office in January. Tariffs and other measures will most likely be inflationary. Here in the Philippines CPI was higher than last month due to the extreme weather conditions hitting agriculture prices. However it is still well within BSP range. BSP most likely will still cut rates in December, given dovish comments from BSP.

## PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of December 06, 2024
1M	5.1888
3M	5.6955
6M	5.9724
1Y	6.0804
3Y	5.9196
5Y	5.9205
10Y	5.8846

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