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# PHILEQUITY CORNER

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## Good Tidings for Christmas

After a spate of bad news in recent weeks, the holiday season brings good tidings for Christmas. The Trump-induced turmoil that pummeled emerging market stocks, currencies and investor confidence appears to be easing off. This leaves room for cautious optimism as the year draws to a close.

## A tumultuous quarter to end the year

The past quarter has been a rollercoaster for the Philippines. The Philippine Stock Exchange Index (PSEi) traded as high as 7,600 in early October. It was up 17.8% for the year before global headwinds dragged it lower. Trump's Make America Great Again (MAGA) policies, tariffs, and threats rattled emerging markets. Philippine stocks declined sharply while the peso weakened and tested its all-time lows.

Meanwhile, natural calamities compounded the situation. Six major typhoons in less than a month between October and November affected millions of people, caused widespread flooding, and damaged homes, agriculture and infrastructure. The recent eruption of Kanlaon Volcano in Negros has affected nearly 12,000 families across 25 barangays.

## China's stimulus sparks optimism

China's Politburo announced it is implementing "more proactive" fiscal tools and "moderately loose" monetary policies to address its economic problems. The budget deficit is set to expand to 4%, the widest in three decades. It also plans a massive 10 trillion yuan (or USD 1.4 trillion) stimulus package to address local government debt and support infrastructure projects. These measures aimed to boost China's economy which has been plagued by deflationary pressures, weak consumption, property sector crisis and the potential impact of punitive US tariffs.

Emerging markets like the Philippines indirectly benefit from China's stimulus. Improved Chinese demand may stabilize commodity prices, enhance trade flows and revive risk appetite for emerging markets.

## Peso finds a floor

The Philippine peso, which had weakened sharply from 55.50 to 59 against the US dollar in recent months, has finally found support. It recently strengthened to 57.70 before pulling back to 58.47 as of Friday's close. While challenges remain, the peso's recent performance signals a period of relative stability. This should provide some breathing room for policymakers, importers, and investors alike.

## Foreign selling hits a turning point

Foreign selling of Philippine stocks is showing clear signs of slowing. Weekly net foreign outflows peaked at P7.7 billion in the week ending November 8, coinciding with Trump's election victory. Over subsequent weeks, selling gradually eased and turned in a positive P340 million net foreign buying last week. This marks a possible turning point after a total of P25 billion in net foreign outflows since mid-October.

## Valuations hit multi-year lows

The Philippine Stock Exchange Index (PSEi) is currently trading at 10.5x its projected 2025 earnings or 1.5 standard deviations below its five-year average of 14.5x. Such levels indicate deep value, making Philippine stocks increasingly attractive to those looking for value. For long-term investors, this is an opportunity to buy undervalued stocks with strong recovery potential as market conditions improve.

## Company buybacks support investor sentiment

Philippine corporations have stepped in to support their share prices amid aggressive foreign selling. Companies like ICTSI, SM Prime, Ayala Corp. and Ayala Land have all actively bought back shares. In total, over 20 companies have announced buyback programs amounting to P92 billion, with P68 billion still available for execution. These buybacks not only signal confidence from management in the long-term value of their businesses but also help shore up investor sentiment during volatile times. By reducing the supply of shares in the market, buybacks also enhance earnings per share and can serve as catalyst for price recovery.

## Other good tidings

Crude oil prices are down 5% from December last year and 20% from their 2024 highs. This gives relief to consumers and businesses grappling with high energy and transport costs. Adding to the optimism is S&P Global Rating's recent upgrade of Philippines' credit outlook to positive. This signals potential for future upgrade to an 'A'-rating within the next 12 to 24 months.

## A nation's resilience shines through

Filipinos, known for their resilient spirit, embrace the holiday season as a chance to regroup and rebuild. From communities recovering from typhoons and Kanlaon's eruption to the stock market stabilizing after prolonged foreign selling, the nation's resilience shines brightly even in challenging times.

This spirit is embodied by Sofronio Vasquez. He is the first Filipino and first Asian to win The Voice USA (Season 26), performing stunning renditions of "Unstoppable" by Sia and "A Million Dreams" from The Greatest Showman. His victory came after years of perseverance. Before moving to New York in 2022 to pursue his dreams, he failed to turn chairs on The Voice Philippines and placed third in Tawag ng Tanghalan in 2019.

## Glimmers of hope in 2025

This Christmas, while challenges remain for the Philippines, glimmers of hope offer reasons to celebrate. US President-elect Donald Trump's has extended invitation to Chinese President Xi Jinping to attend his January 2025 inauguration, signaling a potential shift toward dialogue. Recently, Trump's toned-down rhetoric and selection of less-hawkish cabinet appointees suggests a possible easing of tensions. This diplomatic gesture could lay the groundwork for easing trade tensions and improving global stability.

We wish our shareholders and readers good tidings for Christmas and a Happy New Year!