

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: Foreign selling is still present, though it is no longer across the board. Now that we are entering into the holiday season, we do not expect significant downside for the PSEI

The PSEI is on track for another losing week as foreign selling resumed. Excluding the AREIT block, net sell so far for the week is PhP 800M. We note that the banking sector is the only bright spot in the index.

Helping the market stabilize was the recent strength of the Philippine peso. However, with the BSP set to cut next week, we are concerned that the peso may continue to remain weak as expectations of Fed rate cuts have gone down while BSP rate cut projections are still the same. We note that inflation expectations are also going down as commodity prices remain muted.

Though the market is lacking catalysts, we are entering the holiday season. While the Santa Claus rally is not as consistent, we do not expect significant downside for the PSEI in the near term. Moreover, the index is holding above critical support levels. After the massive sell-down, we expect investors to remain in wait and see mode until incoming President Donald Trump's proclamation where he is expected to outline his actual policies.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: With not much liquidity as we get closer to the end of the year, most people are already content to close their books and the rest are locking in profits. This means that any move lower for yields will probably be shallow and the pressure is upwards as we finish 2024. This week we also have BSP and Fed and we anticipate both to deliver 25bp cuts. What to watch out for is guidance if they will slow down the pace of future rate cuts, with Trump complicating matters.

This week, we have both BSP and the Fed on tap to deliver 25bp cuts, as widely expected. What is worrying the markets is that latest US data coming out is still strong, and inflation is proving to be sticky yet again. Trump coming into office in January also complicates matters, if he were to really implement historic tariffs on Canada, Mexico and China. Thus most traders are content to just stay on the sidelines and do nothing, especially with the holidays right around the corner.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of December 13, 2024
1M	5.4605
3M	5.8404
6M	6.0571
1Y	6.0739
3Y	5.9120
5Y	5.8852
10Y	5.9172

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