

# PHILEQUITY CORNER

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## 2024 Philippine Equities: A Year of Volatility

Philippine stocks ended 2024 virtually unchanged. The Philippine Stock Exchange Index (PSEi) closed at 6,528.79 last December 27, only up by 1.2% for the year. The flat performance masked a year of high volatility driven by Fed policy shifts, geopolitical tensions, and a market-moving US election.



## A Roller-coaster Ride

**Early rally.** The PSEi rose to 7,070 on April 2 from 6,450 at end-2023. The Federal Reserve’s rate hike pause and projected cuts for 2024, plus strong US growth and AI momentum, fueled the broadening rally.

**Midyear slump.** The momentum reversed in April as Middle East tensions rattled markets. Iran’s attack on Israel using drones and missiles, and ongoing conflicts in Gaza, Lebanon, and Yemen, heightened risk aversion. The index hit its year-low of 6,158 in July.

**Powell-led rebound.** The market rallied from its July low after Fed Chair Jerome Powell signaled the Fed’s first rate cut. This pivot sparked gains across ASEAN markets, following US stocks higher. The PSEI broke past 7,000 resistance, hitting 7,602 in October.

**Trump shock.** The rally ended after Trump’s victory, with the index falling to 6,528 to end the year, down over 1,000 points from its peak. Global investors shifted to US assets on Trump’s agenda, while his proposed trade policies sparked an outflow from emerging markets including the Philippines.

## Monetary Policy & Peso

Philippine benchmark interest rates peaked at 6.5% this year before the BSP began its easing stance. The BSP delivered three consecutive quarter-point rate cuts during its August, October and December Monetary Board meetings, bringing the key rate down to 5.75%. Meanwhile, the peso weakened against the US dollar to close at 57.86, down 5.97% for the year, mirroring the US dollar index's 5.61% gain. The crucial support level at 59 held as the peso bounced back.

## Foreign Fund Outflows

Overseas investors have pulled out about PHP12.9 billion from Philippine stocks this year through December. Bulk of the outflows came after Trump's election with net foreign selling amounting to PHP20.5 billion in November and PHP6.1 billion in December. The strong dollar is attracting global fund managers, shifting funds out of EM and into US equities.

## PSEi Leaders

Among index issues, Converge ICT Solutions Inc. emerged as the best performer in 2024, surging 92.6% on the back of a strong earnings rebound. The company resolved its receivable impairment issues, recalibrated postpaid plans, and grew enterprise services.

International Container Terminal Services Inc. rose 56.4%, driven by consistent earnings growth from higher volumes and yields despite global headwinds. These trends are expected to continue after the company secured tariff hikes across in various ports where it operates.

## PLUS Wins

Among non-index stocks, Digiplus Interactive Corp., with the stock symbol PLUS, was a standout performer. The company's 239% return, similar to outstanding gains of US tech stocks, reflected its dominant position in e-gaming, robust growth trajectory, aggressive game rollout, expansion into provincial markets, and global expansion plans.

## Looking Ahead

While the PSEi continued to struggle below pre-pandemic levels in 2024, positive factors remain. The index trades at 10.4x forward earnings, or 28% discount to its five-year mean. Brent crude is down 5% for the year and 20% from their 2024's peak. S&P Global lifted Philippines' credit outlook to positive. However, EM investors continue to face volatility in 2025 from persistent dollar strength, EM fund outflows, rising tariffs, trade tensions and ongoing geopolitical challenges.

We wish our investors and readers a healthy, joyful, and prosperous New Year!