

WANTAGE POINT

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

EQUITY OUTLOOK

Market Outlook: Cautious
Sector Picks: Index heavy weights, 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: We do not expect any major moves in the stock market until Trump announces his major policies. Volume is likely to remain light as majority of the post-US election rotation was completed by end-2024. We will remain on hold for now.

The benchmark index started the year right as it gained 115% in the 2-day trading week. Volume was light with barely any foreign participation. We note that most Asian equity indices are starting the year in the red, with China already down more than 4% in just 2 days.

We expect volume to remain light until incoming President Donald Trump's proclamation on January 20. Once he outlines his actual policies, we expect investors to reassess their investment strategies.

The Philippine peso's sharp appreciation towards yearend is a positive for the Philippine economy and domestic risk assets. Further strength should help buoy our stock market higher.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: As we officially start off a full week of 2025, we are seeing some signs of life in the bond market as traders come back from holiday looking to pick up yield. Defensive levels of 6.3 and higher were actually hard to find and soon traders were left to start buying the belly and shorter at around 6.2 and lower. We think that these levels are indeed attractive but will probably remain neutral for now as we get some clarity on Trump's tariff plan and the Fed.

Yields have come down from their highs, although those levels were very defensive as traders were already on holiday and didn't want to really show any live bids anymore. Thus yields have come in somewhat to more reasonable levels with the 5y around 6.10 and the 10y getting closer back to 6.25. We had December inflation come in hotter than expected at 2.9% but still within BSP expectations. For now we will be on the sidelines as we see what Trump will do, and with 10y UST hovering at highs of 4.6%.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates
Benchmark Tenors

| Tenor | BVAL Rate as of January 3, 2025 |
|-------|---------------------------------|
| 1M | 5.5667 |
| 3M | 5.8286 |
| 6M | 5.9730 |
| 1Y | 6.0491 |
| 3Y | 6.0755 |
| 5Y | 6.1116 |
| 10Y | 6.1567 |



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