

ADVANTAGE 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: Net foreign selling and dollar strength resumed, causing the PSEi to dip into the red. We note other Asian currencies and equity markets are weakening as well. It will be difficult to buck the trend.

Foreign selling resumed as many large investment firms published research reports calling for an underweight in Asia relative to the US. The reasoning behind this was incoming US President Donald Trump's expected policies and the narrowing interest rate differential as the US Fed is set to cut interest rates less than expected. So far, the BSP has not indicated any change in its interest rate expectations.

The US dollar is also in the middle of a resurgence, with almost all major currencies weaker against it on a YTD basis. For instance, the Indian rupee continues to plunge to new all-time lows, the euro is approaching parity and the Japanese yen is a few percentage points away from levels not seen in nearly 40 years.

Thus, net foreign selling amounted to PhP 15 billion in this week alone, concentrated primarily in index stocks. Last week, US tech stocks corrected significantly. With this as the last major pocket of strength in global markets, we are concerned that further weakness may cause global equities as a whole to weaken as well.

We maintain our defensive stance as we monitor asset price movements and wait for Trump's inauguration.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: Yields are poised to turn defensive once again as jobs data from the US show that the US economy is still particularly strong, and that the Fed may indeed take a slower and shallower path in delivering its rate cuts. Most already are on the sidelines anyway as we wait in anticipation for Trump to come back into office and if he will push through with his punitive tariffs. For now, we elect to remain defensive and wait for better levels.

Traders will remain defensive as US data shows strength especially in jobs, which may lead to sticky inflation again. This will most likely keep the Fed on the pause button on rate cuts, with the market now only factoring 1 cut for 2025. This may be a bit drastic, but we wait and see what other data comes out regarding inflation for a better reading. For now, we will most likely be on the sidelines as we await better levels firmly in the 6% level.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of January 10, 2025
1M	5.7269
3M	5.7511
6M	5.8199
1Y	5.8562
3Y	6.0048
5Y	6.0634
10Y	6.1485

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