

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 6200 followed by 6000, Resistance at 6500 followed by 6800
Trading Strategy: Trump's inauguration showed that he is more bark than bite, at least on the tariff front. However, his rapid fire pronouncements may cause the market to more volatile than usual. Though our market is lacking in catalysts, we are starting to see significant value emerge in certain names.

President Donald Trump's inauguration was not as bombastic as expected. Though he signed dozens of executive orders on a number of issues from gender equality to the environment to pardons, he has yet to talk concrete actions on the tariffs front.

Despite threatening tariffs of 10-25% on China, Mexico and Canada as early as February 1, and an unspecified amount of tariffs on Russia if they do not end the Ukraine war, Trump has not actually declared any actual tariffs. Some investors took this to mean that Trump may have a softer policy on tariffs than initially anticipated. However, Trump and many of his cabinet officials are touting an "America First" policy at the expense of other nations. This may also explain why US stocks are approaching all time highs while Asian equities continue to languish.

On the currency front though, the dollar weakened significantly against most currencies, with almost all Asian currencies in the green YTD. As of this writing, only the Indonesian rupiah, Indian rupee and Philippine peso are still down YTD. Until such point the peso appreciates significantly, we expect the index to meander close to support levels.

Still, many stocks have broken COVID lows and are at decade low valuations. While relief rallies are possible, we need significant catalysts in order to return to 7000 and beyond.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: Trump comments on measures against trading partners are not as harsh as feared. Trump also states he wants to see interest rates go down. Markets take this positively, with the 10y UST steady at 4.6. Meanwhile, local bonds are starting to get some buyers as players seem keen on locking in levels at around 6.2 or higher. We remain neutral though we have said previously that this level may already be a good entry level if you are willing to wait.

Levels seem to be consolidating at the 6.2 level for local bonds, with the 5y r518 breaching 6%. Market seems keen on extending duration and locking in rates for now, as inflation in PH seems to be under control. Geopolitical risk abroad also seems to be abating somewhat, so players are looking to get ahead of the risk on move.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates
Benchmark Tenors

Tenor	BVAL Rate as of January 27, 2025
1M	5.1199
3M	5.3122
6M	5.5721
1Y	5.8467
3Y	5.9850
5Y	6.0831
10Y	6.2452



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