

ADVANTAGE POINT

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

EQUITY OUTLOOK

Market Outlook: Neutral
Sector Picks: Index heavyweights. Stocks which beat earnings forecasts. Companies which derive a large portion of their income from foreign sources
Technical: Support at 5700, Resistance at 6000 followed by 6200
Trading Strategy: With index rebalancing causing sharp plunges for most index names, the PSEi entered bear market territory. Many stocks are trading at extremely compelling valuations, so a bounce is very likely. Nimble traders may take advantage of this fire sale. At these price levels, downside has become quite limited. We are shifting to a neutral stance

The 4Q24 and full year GDP growth of the Philippines was largely expected to miss the government target of 6%. However, with 4th quarter growth coming in at 5.2%, it implies QoQ growth of only 1.8% - a paltry figure considering it was the holiday season. This is indicative of weakness in domestic consumption, which was exacerbated by tepid government spending.

Already ignored by foreign institutions since President Donald Trump's victory, these lackluster figures are not helping. Thus, as liquidity dried up, index rebalancing caused massive plunges in index names, causing the Philippine Stock Exchange index to drop by 4% and end the week at 5,862. At this level, the stock market has officially entered bear market territory. Given the artificial nature of the selloff, we expect this drop to be short-lived and a sharp bounce is likely.

On the global front, the earth-shaking news comes from China's newest AI called Deepseek. Reported to be just as good as its Western counterparts on various benchmarks, the breakthrough came from its cost - as low as 2% of US AI models. This shattered US tech stocks, which collectively lost more than \$1 trillion in market cap in just one day. Nvidia alone dropped 17% and lost \$593 billion - the biggest single day market cap loss for a company in history. While it is too early to tell the full impact of China's breakthrough, we expect the reverberations to continue in the coming months and years.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: Over the weekend, Trump pushes through with tariffs on Canada, Mexico and China. Canada swiftly retaliates with Mexico announcing it would also hit back. Fears of a brewing trade war have markets on edge, with equities falling and gold reaching all time highs. With all the uncertainty, we would be wary of adding to positions and would wait until a clearer picture emerges.

With threats of a looming trade war causing inflation to shoot up and a worldwide economic slowdown, markets are understandably hesitant to make any moves. Even though BSP has stated that it still believes that it will cut 50bp this year to prop up PH economy, with 4Q GDP falling short due to severe weather conditions, the main focus is Trump and his tariffs. We would prefer to wait and see what the effects of this are and would use any rallies in bonds to lighten up on positions.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates
Benchmark Tenors

Tenor	BVAL Rate as of January 31, 2025
1M	5.1346
3M	5.2786
6M	5.5219
1Y	5.7118
3Y	5.8758
5Y	5.9872
10Y	6.2288



Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.

