

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.
Technicals: Support at 6000 followed by 5,700, Resistance at 6200 followed by 6500
Trading Strategy: 6000 is still a strong support as it remains unbroken despite continuous foreign selling and new tariff threats. Expect MSCI rebalancing next week to potentially test this level. Nimble traders and seasoned investors may use this day as an opportunity to buy.

Major support of 6000 held strong despite PHP 2.7B in net foreign selling this past week. We note that previously battered consumer stocks have started recovering while property counters are dragging the market lower. Bargain hunting is prevalent in the market as extremely battered index names have risen significantly from their lows, while last year's winners have taken a breather.

Offshore, US President Donald Trump has once again announced new potential tariffs. He said that he will impose tariffs "in the neighborhood of 25%" on automobiles, semiconductors and pharmaceutical imports. He added that to give time for companies and countries to negotiate, the tariffs will only come into effect on April 2. Moreover, semiconductors may see import taxes escalate over time.

These on and off tariff announcements are adding volatility to markets. However, as these seem to be more of a negotiation tool, they are no longer causing significant corrections.

Chinese and HK stocks continue their meteoric rise as the US no longer has the monopoly on advancements in AI. So far, the rest of Asia is not being lifted, but over time, China's strength may eventually spill over to other emerging markets.

Domestically, the BSP announced a 200 bps cut on RRR to 5%, effective on March 28. These will free up even more capital for banks to lend, which is timely due to the weakness in the real estate sector.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: BSP surprised towards the week with a cut to the RRR by 200bp, effective end of March, which will release about 300bn in liquidity into the system. This has supported the slight rally in local yields, where 5y is now around 5.85 and 10y is at 6. We think that these levels are starting to get pricey, especially with the key rate looking to stay within 5.5 for the year, as BSP seems wary of inflation pressures. We look to use rallies to sell.

Current levels seem to be holding for now as most players are also on the sell side, worried about the path of the Fed as they seem to want to temper cutting interest rates. BSP has also said that it may hold off on cuts for now, which would suggest maybe 2 cuts for the year. With that in mind, levels now seem to fully price in the cuts, and we think that levels are rich. RRR cut should keep levels supported, but we would be using further rallies to lighten up.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates
Benchmark Tenors



Tenor	BVAL Rate as of February 21, 2025
1M	4.9579
3M	5.2933
6M	5.5920
1Y	5.7889
3Y	5.8417
5Y	5.9225
10Y	6.1326

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