

Vantage Point

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

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER NAMES, 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

After the initial drop brought about by Fed Chairman Jerome Powell's hawkish policy stance, markets have stabilized, albeit on low volume. There are still significant intraday swings, but there seems to be a lack of conviction in either direction. For instance, the PSEi's daily traded value has ranged between only PhP 3-4 billion recently vs. PhP 7 billion normally.

Still, it is encouraging that the Philippine market did not correct significantly and is holding above the 6500 support level. We attribute this to the easing of inflation and the absence of heavy foreign selling.

Sadly, the same cannot be said about the Philippine peso which has plunged to record lows. Currently, the new record low stands at 57.40/\$ and was reached on an intraday basis on September 7. If the peso remains this weak, it will be difficult for stocks to rally.

On the economic front, while inflation seems to have peaked, we note that Philippine export growth declined by 4.2% - the first negative reading since February 2021. Exporters are supposedly among the beneficiaries of a weaker peso, but slowing economic growth has weighed on semiconductor manufacturers. Against this backdrop, we see no significant catalyst in the horizon so we remain very selective in our buying.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Equities remain tentative as markets recalibrate their growth and interest rate expectations. Interestingly, the PSEi was more resilient than developed markets this time around. We are slowly and selectively nibbling in the market.