

Vantage Point

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

MARKET OUTLOOK: CAUTIOUS

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

2 of the 3 major US equity indices are down for their 4th straight week, with the tech heavy Nasdaq losing 10.9% over that period. The once high flying tech sector was laid low by rising interest rates as growth expectations were dialled down and the cost of borrowing spiked. If major developed markets remain this weak, it will be hard for peripheral stock markets like the Philippines to rally strongly.

After an optimistic November, inflation fears have now given way to recession fears. With interest rates set to remain high at least for the next 2 quarters, economists are worried that the Fed and central banks may be tightening the world into a recession. Thus, until there is more clarity on this front, the market is likely to be choppy with a downward bias.

Though we had no Santa Claus rally this year and we had a rare case of a red December, the 10% move in November significantly reduced the PSEi's losses. 2022 saw our benchmark index lose 7.8% in peso terms and 15.6% in US\$ terms. Unfortunately, this is our stock market's 3rd straight down year. The last time this happened was from 2000-2002 during the dotcom bubble and our political crisis. Based on available data going back to 1988, the PSEi has not experienced 4 straight down years.

Here's to a positive return for stocks in 2023. Happy New Year!

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Weakness of the US stock market has caused the PSEi to be locked in a low volume consolidation. Investors have started to become wary of the magnitude and duration of the recession next year. Until there are indications that economic growth will be better than forecast, we expect equity prices to remain capped.