

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 7000 FOLLOWED BY 6800, RESISTANCE AT 7200 FOLLOWED BY 7500

The 2023 rally in stocks has finally sputtered out - no thanks to the Fed yet again. With US nonfarm payrolls blowing past forecasts, Fed Chairman Jerome Powell reiterated the need to keep interest rates higher for longer to combat inflation. However, he now adds that the terminal interest rate may be higher than previously expected. This spooked investors who were expecting the Fed to stop at 5% and eventually cut rates later in the year.

As a result, the PSEi failed to hold above the crucial 7000 level. Net foreign selling resumed, partly due to the Fed's statements but also due to multiple index rebalancing exercises in February. Technicals also indicate that the PSEi is due for a breather.

The peso's stay at the 53 level also proved to be short-lived as the dollar strengthened sharply on the jobs data and hawkish Fed commentary. On Feb. 6 and 7, the peso depreciated by 2.5% against the dollar, sending it back to the 55 handle. Since then, it has stabilized around 54.50. This is another reason behind the pause in the PSEi's rally.

Moving forward, the market will be closely watching economic data and the words of Powell as they reassess their interest rate expectations.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Above forecast jobs data and a hawkish speech from Fed Chairman Jerome Powell put a stop to the rally in equities. We expect markets to consolidate in the near term as investors reassess their interest rate expectations.