

VANTAGE POINT

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

EQUITY OUTLOOK

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 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

Previous weeks proved to be a very eventful, interesting and tumultuous period for investors, especially those in US and Europe as fear spread to other banks in the developed world. Assurances by the Fed, other central banks and insurance commissions have instilled enough confidence to prevent a deeper market rout and a widespread contagion. The next bank being targeted by traders, First Republic Bank, seems to have been saved in the nick of time as 11 large US banks stepped in by infusing \$30 billion of deposits. Trading on this name was so volatile that the swing from intraday low to high was more than 100%.

Even Credit Suisse seemed to be on the brink of disaster as the Saudi National Bank ruled out any further assistance. This dragged the European banking complex down with it. Fortunately, the Swiss National Bank offered to lend Credit Suisse a whopping 50 billion francs as a temporary lifeline. While this stabilized its stock price, it is still down about 1/3 YTD.

Still, this backstops from both the private and public sector allowed global equities to recover towards the end of the week. However, this level of volatility indicates that a lot of uncertainty still remains despite the ringfencing that has been done. The financial fractures caused by Fed rate hikes are hitting the weakest links in various industries, such as the banking sector.

Despite this turmoil, the ECB continued its tightening with a 50 bps move. All eyes will be on the Fed this week as they make their interest rate decision. Amidst all this, we would rather be observers rather than risk-takers.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

Concerns over the quality of bank deposits and assets rippled across the world as investors searched for the next shoe to drop. Although central banks and large banks have come to the rescue on a selective basis, we note that the Fed decision next week may move markets significantly. We would rather sit on the sidelines for now.



BOND OUTLOOK

MARKET OUTLOOK:
NEUTRAL

TRADING STRATEGY

Prefer to stay on sidelines but risk is now for yields to travel lower with so much uncertainty in the banking sector as so many specialized banks like SVB, regional banks like First Republic, and even Global banks like Credit Suisse are under pressure and in need of intervention.



Last week saw markets in tumult as bank after bank found themselves in hot water, first with a swift collapse of Silicon Valley Bank. This created ripple effects in the tech sector and even major banks. Then we also got news that Credit Suisse would not get any more funds from its Saudi backers. This eventually necessitated a guarantee from the Bank of Switzerland that they would backstop if necessary.

The latest is First Republic bank, which would have also collapsed if not for the major banks stepping in to support.

With all this uncertainty, UST yields have swung back and forth wildly, but from as high as 3.7, we saw the 10y UST fall to as low as 3.3 and eventually settling around 3.5.

There are now thoughts that given all the jitters, the Fed might actually not be as aggressive in fighting inflation.

This week should provide further data, and if the market calms down with no more banks in trouble, we could go back to regular programming on Fed watching.

PHP BVAL Reference Rates – Benchmark Tenors

Market Highlights Mar. 17, 2023

Tenor	BVAL Rate Today	BVAL Rate Previous Day
1M	4.6919	4.6606
3M	4.8621	4.8289
6M	5.4456	5.4409
1Y	5.8008	5.7924
2Y	5.8852	5.8731
3Y	5.9157	5.9049
4Y	5.9497	5.9454
5Y	5.9891	5.9909
7Y	6.0859	6.0787
10Y	6.2274	6.2063
20Y	6.5565	6.5553
25Y	6.5673	6.5684

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.