

# VANTAGE POINT

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

## EQUITY OUTLOOK

**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 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800**

Global markets had just recovered from the mini-banking crisis when another risk suddenly struck us from out the blue. On April 2, Saudi Arabia and other members of OPEC+ announced a surprise 1.16M bpd output cut. This amounts to 1.17% of global demand. Naturally, oil prices spiked by more than 6% the following day, breaking the crucial \$80/bbl resistance level.

Many countries, including the United States, criticized this move. That aside, because oil is such a significant component of CPI, it complicates the goal of central banks to tame inflation. If this price spike is sustained, we may have to review terminal rates once again.

On the bright side, the US dollar continues to weaken, especially against major currencies. However, dollar weakness in the past week has not been mirrored by the peso. We hope the peso can continue to appreciate from here because it helps reduce inflation as well as support the price of risk assets. In fact, a strengthening peso will benefit our stock market.

We are quite concerned about the underperformance of the Philippines and its ASEAN neighbors vs. developed markets. If this EM to DM shift proves to be temporary, then weakness may be an opportunity to buy. However, this remains to be seen.

**Philippine Stock Exchange Index (PSEi) 1-year chart**



### TRADING STRATEGY

Continuous foreign selling on low volume continues to plague the PSEi. Despite global markets recovering, inflation risk has emerged as OPEC+ announced a surprise output cut. The abbreviated week will be the stock market's 11th down week out of 12.



# BOND OUTLOOK

MARKET OUTLOOK:  
**CAUTIOUS**

**TRADING STRATEGY**

Remain cautious ahead of key inflation data in the US coming out, which would give guidance as to whether the Fed will raise another 25bp or pause.



Looking at a shortened trading week due to the Easter Break and day of valor holidays. Markets will be on the sidelines as they await key inflation data coming out in the US, which should give us a better understanding on where the Fed is at in terms of their rate hiking cycle. Previously last week, NFP jobs data came out which was lower than before, but still higher than anticipated. Here in the Philippines, the BSP has already indicated that they would be data dependent in its next rate setting meeting, but now they are telegraphing a pause since inflation seems to have cooled off. We saw that March inflation came in at 7.6 vs 8 expected.

A caveat though is that the OPEC announced a surprise production cut, sending oil back above 80 and with some research houses now saying that oil could reach back up to 100 based on charting. This would definitely factor into inflation readings once again. Overall, yields look to be on a downward trend as there is some scarcity on the longer end of the curve. The 10y 1069 has been bought below 6.1 while the 25yr 2025 has been traded at slightly below 6.4. Meanwhile the shorter end 5y RTB517 is flat at 5.9.

## PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of April 11, 2023
1M	4.8538
3M	5.1479
6M	5.6411
1Y	5.9944
2Y	5.8638
3Y	5.8671
4Y	5.8884
5Y	5.9283
7Y	6.048
10Y	6.155
20Y	6.429
25Y	6.424



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.