

# 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 bounced back in the past week as the banking crisis abated. Positive news flow on inflation also helped equities recover despite the surprise output cut by OPEC+. Statements from the Fed also indicate that tightening cycle is nearing its end. However, this comes with a caveat that a mild recession is likely to ensue in 2H23.

With a mild recession already priced in by the markets, the concerns of the Fed came as no surprise. In fact, developed markets closed in the green on the day Fed minutes were released. Historically, markets rising on bad news is a sign of strength.

Moreover, the US dollar continues to weaken as traders are pricing in the end of rate hikes. For example, the euro gained 1.5% last week - its 7th straight week of appreciation against the dollar. In Asia, the Indonesian rupiah is up for 5 straight weeks for a total gain of 4.8%.

Unfortunately, the PSEi and the Philippine peso bucked the trend recently. The PSEi has lost ground in 11 of the past 12 weeks and is now down 1.3% YTD, reversing its significant gains in January. The peso weakened for its 3rd straight week and has broken the 55/\$ level. Historically, a weaker peso usually leads to lower stock prices.

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



### TRADING STRATEGY

Strength in global markets was not mirrored by the PSEi. Continuous foreign selling on low volume continues to weigh on our index. Also, despite strength in other Asian currencies, the peso depreciated and broke the 55/\$ level. Further depreciation is a negative for equities.



# BOND OUTLOOK

MARKET OUTLOOK:  
**NEUTRAL**

**TRADING STRATEGY**

With key inflation data in the US and PH out, markets will probably stay on the sidelines for fresh leads and look for direction on what the Fed will do in its next rate setting meeting



With inflation data coming out as expected to slightly softer, markets now are left to decide what the Fed will do in its next rate setting meeting. Already Jerome Powell has stated that the recent banking crisis will cause a recession this year.

This probably means that the Fed may be looking at pausing sooner than later. Meanwhile the BSP has also said that they are probably going to pause given that inflation looks to have slowed down already. The 10y UST has steadied at around the 3.4-3.5 levels and the 10y local bond 10-69 was trading below 6.1 but reissue saw awarded yields slightly higher at 6.15.

**PHP BVAL Reference Rates – Benchmark Tenors**

Tenor	BVAL Rate as of April 11, 2023
1M	5.1363
3M	5.4374
6M	5.7605
1Y	5.9998
2Y	5.8899
3Y	5.8723
4Y	5.8853
5Y	5.9147
7Y	6.021
10Y	6.185
20Y	6.4361
25Y	6.4348



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