

VANTAGE POINT

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

EQUITY OUTLOOK

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER, FINANCIAL NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES.

TECHNICALS: SUPPORT AT 6000 FOLLOWED BY 5700, RESISTANCE AT 6200 FOLLOWED BY 6500

PSEi rebalancing was half expected and half unanticipated. MPI's exit due to the conclusion of its tender offer paved the way for BLOOM's entry into the PSEi. This was expected by the market months prior. However, AP's sudden move to implement a share buyback amidst its exit from FTSE indices led to its surprise ejection from the PSEi. This additional vacancy meant that CNPF would be entering the benchmark index next week. This caught index funds by surprise so they have to scramble to both sell AP and buy CNPF. Fortunately, the weights are not too large at ~1% each. Moreover, some institutions seem to be using the freed up cash to purchase other index names.

On domestic interest rates, BSP Governor Eli Remolona maintained a hawkish pause as expected, but warned that another supply shock may warrant a rate hike in November. This comes amidst the Fed's recent policy meeting where the dot plot also left the door open for one more rate hike before yearend.

While most commodity prices are actually falling, 2 critical commodities for the Philippines are still at elevated level - oil and rice. This is keeping our inflation from falling within target despite the weakening of consumer spending. Thus, the BSP is walking on a tightrope when it comes to adjusting monetary policy.

With the market hitting a major support, a technical bounce is likely. 6000 is a far more durable support level than the previous ones that were broken. Traders and those with minimal equity exposure may use this as an opportunity to buy.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

Rebalancing worked in the market's favor as locals reallocated to other index names. Technical support of 6000 also proved to be formidable. However, we are concerned about movements in global markets. We maintain our neutral stance.



BOND OUTLOOK

**MARKET OUTLOOK:
NEUTRAL**

TRADING STRATEGY

We continue to be neutral, even with the Fed and BSP both announcing hawkish pauses in their respective meetings last week. They however leave the door open for hikes in the near future, especially with inflation turning higher once again. Bond yields have been surprisingly stable through the past weeks, but we eventually see yields to drift sideways to higher on lack of leads.



The Fed and the BSP held fast in their respective meetings, but the picture is clear that they may need to do more to keep inflation in check. Recent data shows that inflation is on the rise again, and is as sticky as ever.

Locally we have rice prices continue to be high, and oil is steadily climbing too with OPEC announcing cuts in supply to keep prices high. Oil may look to remain supported as cold weather in the northern hemisphere is close.

We look to remain neutral to defensive as we await better direction on upcoming inflation data points.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of September 22, 2023
1M	5.515
3M	5.6102
6M	5.9444
1Y	6.096
2Y	6.1816
3Y	6.2072
4Y	6.23
5Y	6.2625
7Y	6.3569
10Y	6.475
20Y	6.487
25Y	6.481



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