

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 6400

With corporate earnings season in full swing, we are seeing divergent moves in different stocks. Though results seems to be mixed so far, it is fortunate that index heavyweights are reporting above forecast income. This helped our market claw back some lost ground and end the week above the crucial 6000 support level.

Another factor that helped our market stabilize was the peso's blistering outperformance vs. its peers. From being the 2nd worst Asian currency YTD, the PHP is now the best performing YTD (we exclude the HKD which is practically pegged). Currency weakness is a risk for passive funds when they invest outside of their home country, thus a stable or appreciating PHP goes a long way in attracting foreign flows.

Unfortunately, emerging market equities are still trailing their more developed counterparts. Until such point that not just technology but all sectors in the US rally as a group, it will be difficult for EM equities including the Philippines to stage a significant and lasting recovery. Until then, we expect out/underperformance vs. the index to be driven by corporate earnings. We remain on hold as we review incoming 3Q23 earnings reports.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

After a dismal October, the PSEi clawed its way back above the 6000 level on very light volume. Corporates have started reporting earnings and it seems to be a mixed bag so far. We will review earnings and reassess our strategy.



BOND OUTLOOK

**MARKET OUTLOOK:
DEFENSIVE**

TRADING STRATEGY

With UST yields coming down considerably, and with data points in the US showing slower jobs growth, there is optimism that the Fed has reached the peak of rate hikes. Local bond yields have also fallen by around 50bp from its highs. Though the move higher was abrupt, it was very short lived. Levels are pretty much back to where they were 2 weeks ago, as if nothing has changed. We prefer to ride out the volatility and keep on the sidelines for now.



With the Fed holding steady at its rate setting meeting, UST yields have continued to soften. The optimism in the markets may be with merit since jobs data are also finally showing some weakness.

In the Philippines, after a surprise off cycle hike, Diokno came out saying that the BSP may not need to hike again. Inflation in October came in surprisingly low, and then 3Q GDP came in surprisingly high, sending the Philippines back into goldilocks territory. Let's hope it lasts.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of November 10, 2023
1M	6.0474
3M	6.1845
6M	6.4582
1Y	6.5917
2Y	6.4822
3Y	6.5022
4Y	6.5184
5Y	6.5413
7Y	6.6209
10Y	6.7416
20Y	6.8905
25Y	6.885



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