

VANTAGE POINT

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

EQUITY OUTLOOK

MARKET OUTLOOK: CAUTIOUSLY BULLISH

SECTOR PICKS: INDEX HEAVYWEIGHTS, PROPERTY OR CONSUMER, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6400 FOLLOWED BY 6200, RESISTANCE AT 6700 FOLLOWED BY 7000

Weakness in global markets proved to be temporary as the Magnificent 7 in the US spiked higher, with some stocks rising to new all-time highs. This sudden recovery lifted many equity indices, with Japan now at 33-year highs and Philippines firmly in the green YTD.

Philippine Stock Exchange Index (PSEi) 1-year chart



We are seeing daily net foreign buying this week, with January 9 seeing as much as PhP 900M in net foreign buying. This has helped keep the PSEi above water despite the volatility we are seeing in other parts of the world. As we have said before, continuous and significant net foreign is critical to the sustained recovery of the stock market.

As we are entering the last innings of a seasonally strong period in the stock market, the continuation of this rally will be largely dependent on whether foreign funds will continue to get attracted to our low valuations as well as global macro factors. By and large, we remain on hold except when there are sharp price dislocations.

TRADING STRATEGY

The PSEi is up 3% YTD as foreign buying is keeping our index above the 6500 support level. US markets also surged after a short-lived correction. One cannot go wrong buying the highest quality names. We continue to recommend adding or holding on to these stocks.



BOND OUTLOOK

MARKET OUTLOOK:
NEUTRAL

TRADING STRATEGY

Bond yields seem to have found a range for now, as 10y UST has settled around the 4% area. Meanwhile 10y local bonds are also settling around 6%. With not much catalysts to move the markets, we should see range trading for the meantime.

CPI in the US came out a little bit higher than expected, but 10y USTs actually came down, falling below 4% again. As market participants parsed the data, it looked like core inflation actually continued to cool so the story is still intact that the Fed will most likely cut sometime soon.

Market though seems to be getting ahead of itself with some expecting 150bp of rate cuts this year, while the dot plots are suggesting only 75bp.

For now however, we believe that the market is settling into a range and that we should range trade until we see more evidence on inflation going one way or the other.



PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of January 12, 2024
1M	5.281
3M	5.337
6M	5.5956
1Y	5.9734
2Y	5.9069
3Y	5.9679
4Y	6.0237
5Y	6.0756
7Y	6.1662
10Y	6.2393
20Y	6.2464
25Y	6.2495

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