

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 6700 FOLLOWED BY 6400, RESISTANCE AT 7000 FOLLOWED BY 7400

The benchmark index is now up for its 4th straight week, with 6 of the past 7 weeks ending in positive territory. However, we are nearing the crucial 7000 resistance, thus a correction or consolidation is likely. Still foreign funds continue to be net buyers, hence the strength of the PSEi.

Philippine Stock Exchange Index (PSEi) 1-year chart



The BSP's decision to keep interest rates on hold was largely expected by market participants. The modest growth outlook and hesitance to cut rates immediately was also apparent in the policy statement. Maintaining or widening the current interest rate differential with the US is critical to maintaining the stability of the peso. Historically, a stable or appreciating peso leads to higher stock prices.

In the coming weeks, we will be seeing the implementation of the 1st rebalancing exercise for global index providers MSCI and FTSE. We believe that large caps will still be favored over smaller companies, but at the same time, nimble traders may be able to take advantage of the ensuing volatility.

TRADING STRATEGY

The PSEi's ascent slowed down as it approached the major resistance level of 7000. Locals are better sellers even as foreign funds continued to accumulate blue chips. We believe that dips are still opportunities to buy.

BOND OUTLOOK

MARKET OUTLOOK:
NEUTRAL

TRADING STRATEGY



US data still shows that inflation risks remain and that the Fed will most likely be cautious for the 1H of the 2024. Meanwhile there are some houses that are calling for a hard landing for the US economy, though this is still a minority view. On the local bond space, market players are on the sidelines as everyone is busy with the upcoming RTB 5y issuance. Thus we most likely will similarly be on a wait and see mode.

With not much new catalysts to move the market, most players are content to service requirements for the upcoming 5y RTB issuance, coming out at 6.25. This is a good level to come in, though inflation risks still remain and are pointing to the upside. So there could be a chance that after the issuance, yields may have room to float upwards, though not considerably.

In the US, we also see the 10y UST testing upwards to 4.35 but ultimately settling back into its range closer to 4. For now we would remain on the sidelines and await further developments.



PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of February 19, 2024
1M	5.5246
3M	5.5739
6M	5.8825
1Y	6.1065
2Y	6.1117
3Y	6.1707
4Y	6.2189
5Y	6.2534
7Y	6.2907
10Y	6.3085
20Y	6.3847
25Y	6.3898

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