

# ADVANTAGE 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/consumer, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources  
**Technical:** Support at 6700 followed by 6400, Resistance at 7000 followed by 7400  
**Trading Strategy:** Strength in large cap stocks continues as the PSEi attempts to break the crucial 7000 level. Strong earnings out of Nvidia lifted markets globally, including the Philippines. While a correction or consolidation is likely in the near term, we believe that 7000 will be broken eventually.

The PSEi is now up for its 5th straight week, with some help from Nvidia. Global markets took a pause earlier in the week as investors braced for earnings results of the #1 AI stock. Despite being priced for perfection, Nvidia still blew through lofty expectations. Its sheer wait in US benchmark indices propelled markets higher, with the Stoxx 50 and Nikkei reaching new all-time highs.

The broadening of market strength has reached the Philippines, with our index now knocking on 7000. A clear breakout beyond this level will lead to further strength. We note that foreign buying continues, but concentrated only in the largest cap names. This is further supported by robust earnings of the big 3 banks. In fact, smaller cap names are being weeded out, as can be seen in the upcoming rebalancing exercises of foreign index providers.

We believe this uptrend will continue as recession fears have largely abated and global markets hit fresh record highs. We still recommend buying on dips for the largest, highest quality and most liquid names.

Philippine Stock Exchange Index (PSEi) 1-year chart



## BOND OUTLOOK

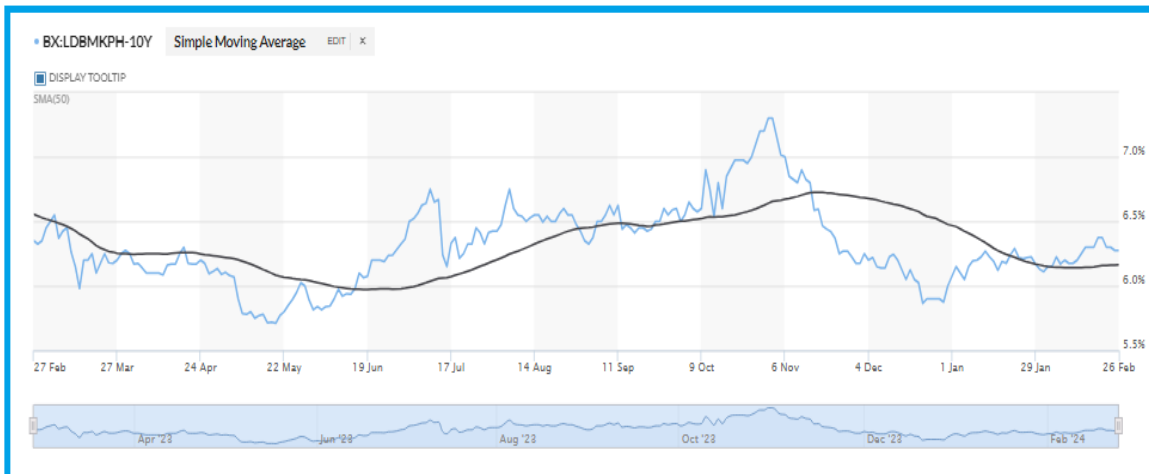
**Market Outlook:** Neutral  
**Trading Strategy:** More of the same rangebound trading has most dealers on the sidelines. In the US, 10y UST managed to try higher at 4.35 but ultimately failed, falling back to the regular 4.25 range. In the Philippines, local bonds also are stuck for now as the RTB offer comes to an end. For now we wait and see for further developments.

The new 5Y RTB offer is coming to an end, with good demand at 6.25. Most dealers are just busy servicing client requirements. We will see a new 20y BTR auction this week, so this may give us some guidance on rates for the long ends. This will probably have good demand since it has been a while that there have been any issues at this longer duration. Aside from this, not much going on in the data side.

We had Fed minutes come out, which shows that most members are still wary of inflation risks and that the consensus is that they should be cautious about cutting rates.

### PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates – Benchmark Tenors



Tenor	BVAL Rate as of Feb 26, 2024
1M	5.442
3M	5.6226
6M	5.9045
1Y	6.1323
3Y	6.1638
5Y	6.2228
10Y	6.2634

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