

WANTAGE 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: Breaking the 7000 level proves to be elusive. Still, we believe that corrections or consolidations, such as those brought about by index rebalancing exercises, are opportunities to buy as long as one sticks to quality names. With the bull market broadening, it is likely the rally in Philippine stocks will continue.

After touching 7000 twice this month, the PSEi finally ran out of steam. Down 1.7%, this is only the 2nd losing week of the index in 2024. Continuous foreign buying kept the market afloat until March 15 when FTSE rebalancing led to Php 4.2 billion in net foreign outflows.

We expect news flow to be light, with domestic market direction driven by moves in the US and other global macro events. Volumes will dry up significantly as we head into Holy Week at the end of the month. 1Q24 earnings reports will trickle in only in May.

Recent dollar weakness propped up the peso, which should be supportive of domestic equity prices. Potential delays in Fed rate cuts will likely cause the BSP to cut at a later date as well.

Though this rebalancing exercise led to heavy foreign selling, we believe that dips like this are opportunities to buy if one focuses on the bluest of the blue.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Neutral
Trading Strategy: Inflation data in the US shows that the fight against inflation is not yet over, supporting the Fed's current stance of being cautious. However, it looks like June will still be the month that the Fed will have its first rate cut. With this, 10y USTs are trending back higher, hitting the top of the range of 4.29. We believe that rates will most likely stay in its tight range for now.

Market still stuck in a tight range as inflation in the US remains sticky, but growth prospects are still good globally. Equity markets continue to make new highs on optimism that rates will eventually be lower while demand remains firm.

Locally, bonds have also been well bid as some big maturities fueling demand for shorter end bonds. Rates also seem to just be in a range with the 10y hovering around 6.2, with profit takers coming out below this area. We look to stay on the sidelines for now.

PHP BVAL Reference Rates – Benchmark Tenors

PHILIPPINES 10 YEAR GOVERNMENT BOND



Tenor	BVAL Rate as of March 14, 2024
1M	5.7398
3M	5.7664
6M	5.9548
1Y	6.0542
3Y	6.0289
5Y	6.1635
10Y	6.2202

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