

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 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

Internationally, all eyes are on what may be the Fed's final rate hike. On May 3, the Fed is expected to announce its policy move as well as its expectation for the economy and interest rates moving forward. Investors will be keeping an eye on their view of the potential recession, as well as the timing of any future rate cuts.

This will drive the movement of the dollar and consequently, the Philippine peso. We note BSP Governor Felipe Medalla's statement that it would be dangerous to cut interest rates faster than the Fed. This helped reverse the peso's recent weakness against the US dollar.

Domestically, all eyes are on MPI's tender offer and the ramifications of this action. Priced at PhP 4.63/share, the goal of the offer is to eventually delist MPI. If everything goes according to plan, MPI will be exit the index and be delisted some time in 3Q23. This paves the way for potential new entrants, such as BLOOM, NIKL and CNPF. We expect significant market activity around these names.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

The PSEi managed to bounce off the 6500 support level of foreign buying and monthend window dressing. At the same time, the peso also strengthened to 55.44. With MPI announcing a tender offer, we expect significant market activity for MPI and potential index entrants.



BOND OUTLOOK

**MARKET OUTLOOK:
NEUTRAL**

TRADING STRATEGY

FOMC decision will come out next week so players will stay on the sidelines until then, but all indications are for the Fed to raise by another 25bp. Market will particularly be watching out for the language post meeting, where it is expected that the Fed may indicate that they will slow down or take a pause now that inflation seems to be slowing, though still very sticky. We will continue to stay neutral as well and wait for further clues from the Fed.



We are looking at a 25bp hike for the Fed next week, but until then markets will most likely be watching and waiting. US GDP came out at 1.1%, showing that the US economy is growing, but at a pace where it would not stoke added inflation, bringing about a goldilocks situation, not too hot and not too cold.

US equities rallied on the news, though some good earnings from key tech names also pushed the markets higher.

We are however still seeing the banking crisis in the US unfold with regional bank First Republic bank shares plummeting again and seeking a bailout, which caused 10y UST to fall to 3.35 but this has rebounded to 3.53 on the back of the good GDP numbers.

Meanwhile a good 7yr auction shows that demand for local bonds is still there, with the coupon coming out at 6%

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of May 02, 2023
1M	5.6698
3M	5.8194
6M	6.012
1Y	6.1419
2Y	6.0195
3Y	5.9793
4Y	5.9606
5Y	5.9571
7Y	5.9963
10Y	6.1046
20Y	6.3093
25Y	6.3035



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