

# VANTAGE POINT

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

## EQUITY OUTLOOK

**MARKET OUTLOOK: CAUTIOUSLY BULLISH**

**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**

A strengthening peso, extreme disinterest, oversold technicals and decade-low valuations led to the recovery we are seeing now. With foreign flows finally coming back, our market is up for 2 straight weeks and is firmly above the 6500 level. However, it remains to be seen if foreign inflows will continue in the medium term or not. There have been instances where foreign flows vanished after just a few weeks, causing the market to weaken. We hope this is not the case this time around.

As we said in our previous report, disinterest in the Philippines was already approaching extreme levels. Thus, even a little buying can cause stock prices to move up significantly, which is what we are seeing now. Still, despite the PSEi's 4.2% rally over 2 weeks, many stocks are still at oversold levels.

With 2Q23 earnings announcements in 3 weeks, we expect fundamentals which stocks will have durable recoveries or not. Currently, foreign flows are lifting all boats, especially those which have underperformed in the past year, such as property stocks and conglomerates.

**Philippine Stock Exchange Index (PSEi) 1-year chart**



### TRADING STRATEGY

The PSEi continues to move higher as foreign flows pile in. We expect this rally to continue in the near term as the peso remains strong. Note that many index names are still trading at oversold levels despite this rally.



# BOND OUTLOOK

MARKET OUTLOOK:  
**NEUTRAL**

**TRADING STRATEGY**

With bond yields diving after the surprisingly low inflation number in the US, we think that levels may have gotten ahead of themselves. The benchmark 9yr 1069 hit a low of 6.125 and the 12yr 25-7 hit 6.25. Though overall still attractive levels, we think that this would be a good level for players to take profit, since this is already a 50bp or more drop from last week's levels. We will most likely be on the sidelines and wait for better levels before coming in again.



With the FOMC coming next week, a hike is all but telegraphed by the market. However new jobless claims numbers show that jobs inflation may be sticky and this could cause the Fed to hike some more as insurance, though the consensus for now is that the July hike could be its last.

For now, market has taken this as an opportunity to take profits and cut down on risk. With not much new leads anyway, this is a good point to stay on the sidelines.

But going forward, we still see these levels as attractive, considering that Philippine inflation already is trending down.

**PHP BVAL Reference Rates – Benchmark Tenors**

Tenor	BVAL Rate as of July 24, 2023
1M	5.7689
3M	5.8243
6M	5.9563
1Y	6.1485
2Y	6.1712
3Y	6.2074
4Y	6.2226
5Y	6.2268
7Y	6.2349
10Y	6.2755
20Y	6.674
25Y	6.7069



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