

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 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

The PSEi is on track for a 5th straight negative week as foreign outflows continue. Lackluster volume is contributing to the market's weakness - a sign that foreign institutions are still generally disinterested while local funds are fully invested.

Even stocks which reported good earnings were still affected by the downdraft. Those which showed below forecast results were punished even more severely. As a sector, only banks were a bright spot. Even then, the results of large banks were vastly different from the smaller banks. Though valuations remain low, the lack of catalysts, such as blowout earnings, is capping the PSEi's performance.

Macro uncertainty, such as the breadth of bankruptcies in China and Fed Chairman Jerome Powell's policy stance will also keep investors on the edge. Peso strength which helped the PSEi recover in early July has given way to weakness. With nothing to cheer about, there is no rush to increase equity exposure.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

The PSEi continues its downmove, losing another 1% last week as foreign investors flee emerging markets. The 6200 support level was broken momentarily before the market bounced back. We would like to note though that strong support lies at 5700-6000. We continue to remain on hold for now.



BOND OUTLOOK

MARKET OUTLOOK:
NEUTRAL

TRADING STRATEGY

With USTs seemingly stable for the time being, it looks as if liquidity is being put to play with buyers slowly picking up on duration. Local bond yields have come down around 10bp week on week. We remain to be cautious as comments from Jerome Powell in Jackson Hole were on the hawkish side. BSP comments are also tilted towards being hawkish.



The big news that everyone was waiting for was the speech that Jerome Powell gave at the annual Jackson Hole symposium. What he said was widely expected however, saying that the Fed is still wary of inflation pressures and that though they are slowing, it is still uncomfortably high.

The Fed is ready to hike rates should the need arise. We also have similar statements from the BSP, saying that they are data dependent but will move rates higher if necessary.

For now though, it looks to be a stalemate and bond yields have pretty much stayed where they are. Some bond maturities earlier last week are trickling in, causing buyers to pick up some longer duration bonds. For this week, we look to the upcoming auction to gauge market demand.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of August 28, 2023
1M	5.6503
3M	5.7522
6M	5.9993
1Y	6.3043
2Y	6.2411
3Y	6.2355
4Y	6.2422
5Y	6.267
7Y	6.3726
10Y	6.5225
20Y	6.7169
25Y	6.7172



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