

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 6200 FOLLOWED BY 6000, RESISTANCE AT 6400 FOLLOWED BY 6700

After bouncing strongly off the 6000 support level, the PSEi hit resistance at 6300. Still, the benchmark index is up 4.2% in November, which is in line with the strength we usually see during this period. Global stocks were also strong, with the US lifting all boats as the rally broadened - the S&P 500 gained 8.9% in November alone.

The Philippine peso's stability also favored risk assets. Historically, a strong peso is correlated with higher stock prices. Not only has our currency exhibited remarkable stability, but it is also the best performing Asian currency against the US\$ on a YTD basis. If the peso continues to stabilize or appreciate, it will be a boon for equity prices.

Despite interest rates likely staying higher for longer, bond yields are starting to price in lower interest rates in 2024. 10-yr yields for US Treasuries and Philippine government bonds have fallen 65 bps and 76 bps respectively from their recent highs which were set in October. As rising bond yields make equities less attractive, falling bond yields may eventually attract future inflows back into equities.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

After rising for 4 straight weeks, the PSEi took a breather. Still, November proved to be a turnaround month as the index gained 4.2%. Despite the lack of domestic catalysts, the broadening of global market strength and stability of the PHP helped lift Philippine stocks.



BOND OUTLOOK

**MARKET OUTLOOK:
POSITIVE**

TRADING STRATEGY

Bond yields may have found some resistance for now as rates have come down so rapidly. The 10y UST is currently at 4.3 and the local bond 10y benchmark is seeing some resistance at 6.15. However any uptick would probably be shallow as investors are still looking to increase their holdings and lengthen duration.



Data coming out is showing that inflation is indeed slowing. Meanwhile GDP growth is surprisingly stable, which shows that the US may not actually fall into a recession, or if ever a very shallow one. GDP in the Philippines is also very robust as government spending resumes.

If this goldilocks scenario continues, we should see inflation come back to BSP and Fed targets, which should allow bond yields to continue moving lower, though not as rapidly. This is also good for other assets such as equities.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of December 01, 2023
1M	5.1900
3M	5.3645
6M	5.6329
1Y	5.7766
2Y	5.9901
3Y	6.0649
4Y	6.1093
5Y	6.1308
7Y	6.1712
10Y	6.2291
20Y	6.3130
25Y	6.3098



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