

The rollercoaster ride continues! After October's bloodbath, we saw a 4.2% recovery for the PSEi in November. This placed the index comfortably above the 6000 support level as it ended the month at 6223. Sadly, at that level, the index is still down 5.2% YTD.

The domestic factors which caused the PSEi to weaken in previous months showed signs of reversing in November. Inflation moderated to 4.9% as food prices peaked and oil prices fell. Below forecast inflation helped 3Q23 GDP growth exceed expectations at 5.9% vs. 4.7%. Remember that poor 2Q23 GDP caused our market to fall sharply in August. This eased concerns that inflation was becoming unanchored and that GDP growth will continue sliding lower.

Though most of the inflation uptick is due to supply side issues, we note that high interest rates also served their purpose in curbing demand. Though both the BSP and the US Fed held interest rates steady in November, they reiterated their "higher for longer" stance while also not closing the door on higher interest rates if necessary. BSP Governor Eli Remolona's hawkish stance was critical to the peso's recent strength. Note that a strong peso results in both lower inflation and higher stock prices. Because of Remolona's words and actions, the Philippine peso ended November as the best performing Asian currency against the US\$ YTD.

3Q23 corporate earnings were also reported in November. While these were a mixed bag, we note that blue chips and large index stocks showed above forecast earnings, with most of the underperformance coming from non-index, midcap and small cap names. This is another reason why we are very careful in buying non-index names for the portfolio - in trying times, large and more stable companies come out stronger, while smaller and less capitalized corporations are left by the wayside.

Globally, the US dollar weakened and most developed markets recovered. This helped lift equity indices the world over, including the PSEi. With the Philippines lacking significant domestic catalysts in the near term, we will likely follow the lead of stock markets like the US.

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