

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 6400 FOLLOWED BY 6200, RESISTANCE AT 6700 FOLLOWED BY 7000

After pummeling markets with his statements since 2022, Fed Chairman Jerome Powell sang a different tune this time around. Not only did he maintain the Fed's pause on hikes, but he also indicated that 3 interest rate cuts are likely next year. Moreover, they expect this to occur against a backdrop of a soft landing instead of a recession.

This sparked a massive equity rally, with the S&P 500 now up 23% YTD and just 2% shy of its all-time high. Strength in the US lifted other markets, including the Philippines. In the week of Dec. 11, the PSEi gained 3.9% and is attempting to break the initial resistance of 6500. Index heavyweights led the way as foreign institutions focused their buying on the largest and highest quality Philippine stocks. As we remain in a seasonally strong period for stocks, we remain bullish in the near term.

Over the medium term, we remain cautiously bullish on the market. The nature of the economic slowdown next year will determine which countries or sectors outperform. Though we expect volatility in the early innings of policy loosening, it is likely that the bull run to continue once interest rates have hit a level that is enough to reignite economic growth. We remain buyers of quality stocks.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

With the Fed staying on pause and indicating that 3 rate cuts were on the table next year, global markets rallied. The PSEi gained 3.9% for the week as index heavyweights led the way. This new development reinforces our cautious bullishness.



BOND OUTLOOK

**MARKET OUTLOOK:
NEUTRAL**

TRADING STRATEGY

10y UST continues to slide downward, now hitting 3.91, well below 4% as market is firmly focused on the 3 rate cuts the Fed is projecting for 2024. Meanwhile, there is some resistance being hit in local bonds with the 10-69 settling around 6%. We believe that this will eventually be breached but with the holidays coming soon, looks like market is more than likely to move sideways until we reach the new year.



The Fed paused but took markets by storm by announcing it was looking at 3 cuts in 2024. Meanwhile BSP remains on hold in its meeting, but point out that there are signs that inflation expectations are now anchored.

Inflation is still high though, so it looks like BSP will not be cutting rates anytime soon and would be comfortable waiting for the Fed to move first.

That would mean that local bond yields will probably drift lower slowly, as inflation comes down to BSPs target of 4%.

PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of December 15, 2023
1M	5.2051
3M	5.3748
6M	5.3891
1Y	5.9732
2Y	5.9827
3Y	5.9899
4Y	5.9988
5Y	6.007
7Y	6.0161
10Y	6.0716
20Y	6.1307
25Y	6.1272



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