

VANTAGE POINT

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

EQUITY OUTLOOK

MARKET OUTLOOK: CAUTIOUSLY BULLISH

SECTOR PICKS: INDEX HEAVYWEIGHTS, PROPERTY OR CONSUMER, 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

Volatility has arrived. US indices had their first major correction this year as Fed Chairman Jerome Powell practically ruled out a rate cut in March. Fortunately, strong earnings from some megacap tech stocks lifted markets higher.

China's much touted stabilization fund failed to instill confidence in investors who instead use the rally to continue dumping their shares. Strength in China would be a positive for Philippine stocks, but it remains to be seen if the Chinese government has enough ammunition to stem the bloody tide of selling.

Still, the PSEi continues to slowly grind higher as low valuations attracted investors. The market ended last week right above the crucial resistance of 6700. Clearing this and 7000 will solidify our market's uptrend.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY

Volatility is starting to increase as the Fed outlined its monetary policy trajectory, which was different from market expectations. China is once again in the midst of a brutal selloff as investors used the recent rally to exit. We continue to be buyers on dips.



BOND OUTLOOK

**MARKET OUTLOOK:
NEUTRAL**

TRADING STRATEGY

Data out of the US suggests that the US economy is still surprisingly strong, which matches with the Fed statement that they must still be cautious. This takes off some of the optimism priced into markets that the Fed cuts would begin in March. Thus we see resistance at these levels, with the 10y UST hovering around 4% and the 10y local bonds at around 6%. We remain on the sidelines for now as we await further direction.

With strong US data, it looks like there will not be any Fed cut in March. Jerome Powell already has come out and said it is unlikely. Thus rates have been steady for the past weeks with most players content to just churn their holdings, while picking up on the auctions with good value.

This week, PH Jan CPI comes out, but consensus is that it just falls within the target range of BSP, which is a good sign that inflation is stabilizing, but this is already priced in. Thus we believe this week will be more of the same sideways trading.



PHP BVAL Reference Rates – Benchmark Tenors

Tenor	BVAL Rate as of February 02, 2024
1M	5.361
3M	5.4422
6M	5.8126
1Y	6.044
2Y	5.9763
3Y	6.0161
4Y	6.0559
5Y	6.0864
7Y	6.1161
10Y	6.1419
20Y	6.1035
25Y	6.1005



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