

The rally continues! The PSEi is up for its 3rd straight month as it gained 3% in January 2024. It successfully cleared the 6500 resistance level as foreign flows continue to pour into undervalued Philippine stocks. Note that for the past 4 years, the PSEi has been stuck in a consolidation range between 5700 and 7500. A strong breakout beyond the latter level will be a clear signal that the bull market is alive and kicking.

January tends to be thin on news, but busy in terms of portfolio reallocation. The increasing participation of foreign institutions is a sign that the period of disinterest in the Philippines has likely ended. Foreign inflows are critical for a sustainable ascent of our market. US equity indices also continued to make new highs which is serving to lift all boats, including the PSEi.

Central bank commentary to start the year also indicated that interest rates will be kept on hold, with the next change being a rate cut. This was largely within market expectations. If no recession comes to pass, less restrictive monetary policy will lead to higher equity prices.

Though domestic inflation is falling within the BSP's target range, it is not falling precipitously. This will serve to slow down the pace of monetary easing in 2024. Fortunately, this also means that the PhP will remain stable - which is another positive for equities.

Timing-wise, the seasonal strength we see in stocks is close to its end. Improving fundamentals will have to kick in for foreign flows to continue entering the Philippine stock market. Still, with almost all risks largely diminished, we are buyers on dips.

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