

ADVANTAGE POINT

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

EQUITY OUTLOOK

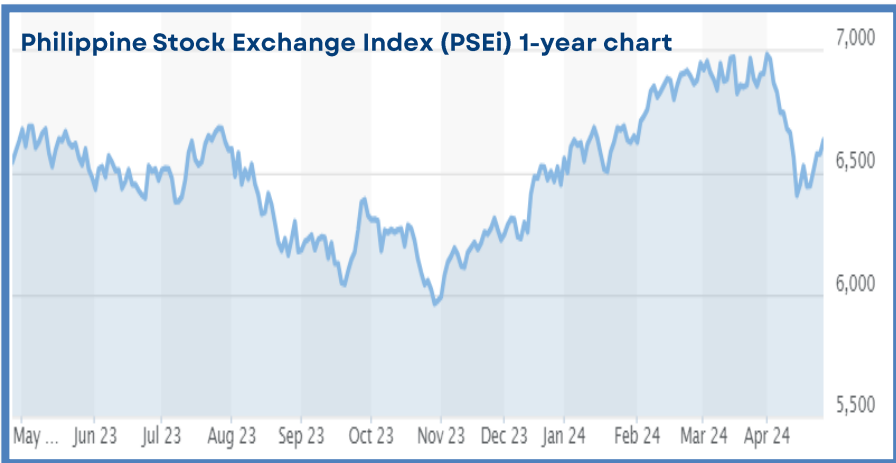
Market Outlook: Cautious
Sector Picks: Index heavy weights, Stocks which beat earnings forecasts, Companies which derive a large portion of their income from foreign sources
Technicals: Support at 6400 followed by 6200, Resistance at 6700 followed by 7000
Trading Strategy: Global markets are trying to find support after correcting for the past 3 weeks on the back of delayed rate cuts and rising geopolitical risk. The PSEi seems to have found the same at the 6400-6500 level. Those with cash and courage may slowly nibble and reallocate their portfolios.

After a savage correction that wiped out all of the PSEi's YTD gains, the index managed to find its footing as it rallied 2.9% this week. The critical support level of 6400-6500 held strong even as volumes were quite dry.

The cycle of retaliation between Iran and Israel seems to have come to an end. As such, apprehension in the market has died down as well. Oil prices have stabilized but are still close to their highest levels this year.

On the other hand, the delay in rate cuts continues to wreak havoc on FX markets. The line in the sand of 57/\$ has been broken definitively. Just like other central banks, the BSP has signalled that they are ready to intervene to stem the peso's depreciation. Only once the peso stabilizes and appreciates from here will a meaningful attack on the PSEi's 7000 resistance be possible.

We note that while local institutions are mostly fully invested, foreign funds are not moving in unison. We note selective buying and selling. In fact, there are days where we see net foreign buying already. Inflows are still concentrated in the largest names, especially banks.



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: Strong US data continues to show that inflation is not going away, pushing Fed rate cuts further away than earlier anticipated. There is even the view that rate hikes may be necessary again. For the meantime, we watch out for PH inflation report which is likely to show quicker inflation stemming from oil and food price increases. We remain defensive as we await further direction on inflation and as supply comes in on the longer end of the curve.

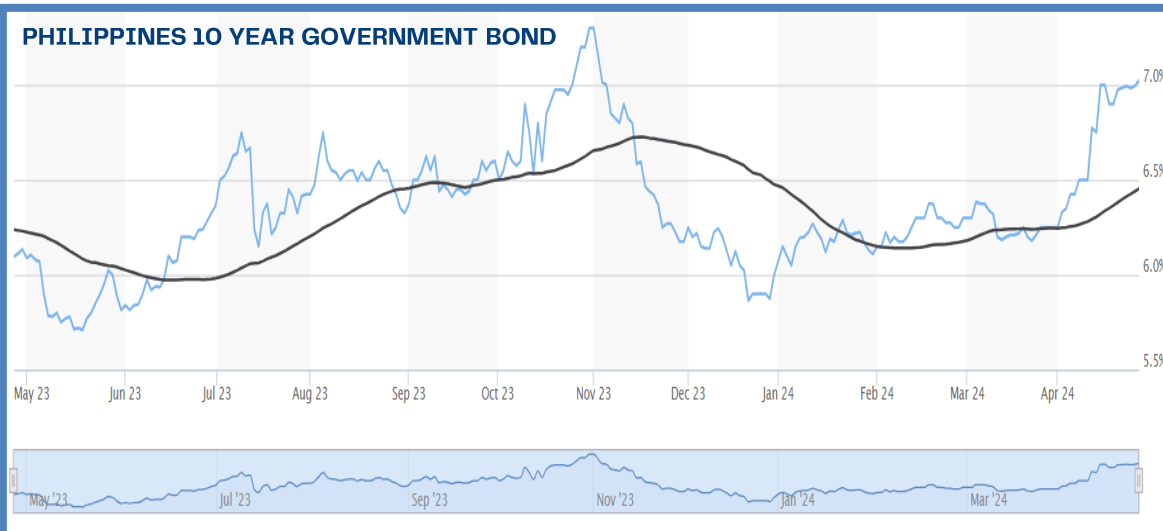
Markets quickly forgot the Israel Iran conflict, focusing more on more data points in the US showing a resilient economy but quickening inflation. Here in the Philippines we watch out for inflation numbers as well as 10y auction to see whether rates will continue to rise above recent levels with the 10y reaching around 6.85 and the 10y UST around 4.75.

We remain on the sidelines for now as rates look to be pressured towards rising further, along with USD hitting highs against the JPY and the USDPHP now at 57.70

PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of April 25, 2024
1M	5.8760
3M	5.8636
6M	5.9380
1Y	6.0492
3Y	6.5638
5Y	6.7605
10Y	6.9665

PHILIPPINES 10 YEAR GOVERNMENT BOND



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