

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: Dollar strength continues to plague EM equities. Fortunately, lower oil prices and strength in HK stocks are putting a floor as well. Despite foreign selling, the PSEi continues to hover above crucial support levels. Unless one has copious amounts of cash, it may be better to remain in the sidelines for now.

Foreign funds continue to sell Philippine stocks as the dollar remains ascendant. Fortunately, the PSEi has managed to stay above the major support level of 6400 despite weakness in property stocks. We note that while most index names are suffering from foreign selling, banks and few blue chips are remarkably resilient.

Furthermore, oil prices have started to correct recently. This was a major risk for the Philippine economy, especially if prices skyrocketed. We hope that geopolitical risk finally quiets down. This leaves the strong dollar and high interest rates as the major headwinds that are capping the PSEi's recovery.

In the past few days, we finally saw some weakness in the US dollar, allowing the Philippine peso to appreciate somewhat. Further weakness of the US dollar should help buoy Philippine asset prices. That said, crucial US economic data points may lead to volatility across all asset classes. Forecasts for US interest rate trajectory are all over the place. Until a consensus is found, the market will be pushed and pulled by incoming data and Fed commentary.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: With Fed meeting out of the way, we focus on upcoming data to see whether inflation will plateau or start rising again. The threat in PH is that April inflation may have spiked which would cause yields to climb further. We remain defensive, especially as there is also more supply coming in on the long end of the curve due to the auction schedule and BTR accepting higher yields.

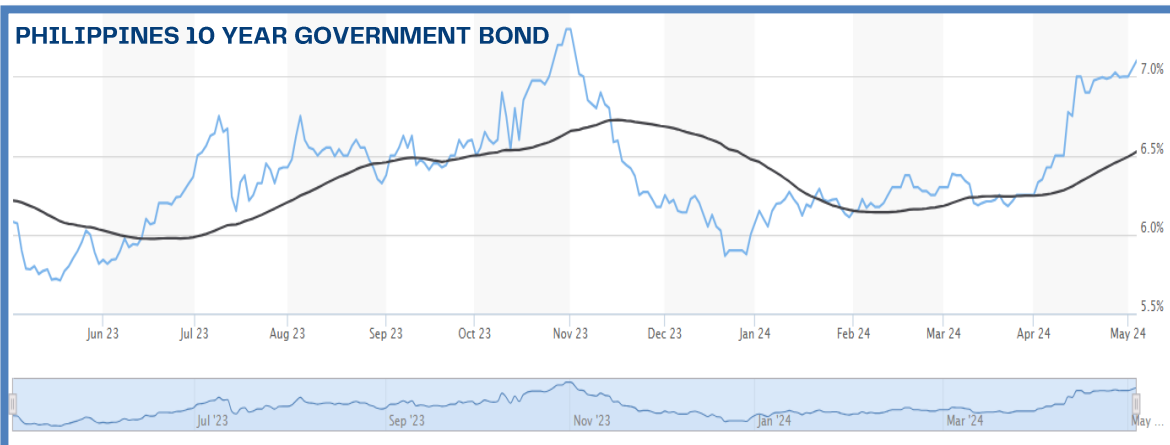
The Fed decided to keep rates steady, as widely expected by the markets. With this out of the way, 10y UST calmed down, falling around 5bps to below 4.60. Currencies are also lower, notably the Yen paring losses after hitting a high of 160 is now back at 153 levels.

Meanwhile USDPHP is also back from a high of 57.90 to now 57.40. We are still wary as BTR has recently awarded 7yr bonds at above 7% at 7.18 high, which should keep rates elevated. And we have yet to see if April inflation numbers are hotter than anticipated, though most are already anticipating a spike.

PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of May 03, 2024
1M	5.7813
3M	5.8577
6M	5.9309
1Y	6.0642
3Y	6.6021
5Y	6.7590
10Y	6.9887

PHILIPPINES 10 YEAR GOVERNMENT BOND



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