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For more information, you can contact us at (02) 8580-0900, email us at bpi_investment@bpi.com.ph or visit our website, www.pamifunds.com

OUTLOOK AND STRATEGY

Market Review. The Philippine Stock Exchange Index (PSEi) dropped for the third straight month on another round foreign selling as investors anticipate US President-Elect Donald Trump's resumption to power. This comes with his expected tariffs which reverberated throughout the global economy and forced investors to adopt a risk-off stance. The PSEi fell by 1.3% month-on-month to close at 6,528.79. Despite the monthly decline, the local bourse ended up positive on a year-on-year basis at +1.22%, which bucked the trend of the 4-year decline.

The Average Daily Turnover declined by 8.5% to Php4.83 billion on shortened trading days due to Holiday season. Meanwhile, foreign selling persisted for another month, registering at US\$104 million which has now stretched the full year 2024 net foreign outflow to US\$408 million. Their top sold stocks were ALI (-US\$ 37.4 million), BPI (-US\$20.3 million) and BDO (-US\$14.50 million). Foreign participation recorded at 50%, an even split with locals.

On a per stock basis, the top three index gainers for the month include: NIKL (+17.51%), WLCON (+10.00%) and SCC (+8.72%). Meanwhile, the bottom three performers include: BLOOM (-16.42%), ALI (-8.39%) and MONDE (-7.13%).

The BPI Government Bond Index returned -0.18% in December as Philippine government bond yields rose by an average of 14 basis points (bps). Yields moved up as market participants tempered their policy rate cut expectations as US central bank officials projected fewer rate cuts in 2025. Average daily trading volume for the month fell from Php36.1 billion in November to Php32.1 billion in December, with most trades still concentrated in 5-year and 1-year securities. For the month of December, foreign investors were net sellers of Php26.1 billion, pulling the full-year 2024 total net inflow to Php56.3 billion.

The Bureau of the Treasury (BTr) held its only FXTN auction for the month on December 10, offering Php15 billion of FXTN 10-72 (9.1 years) which was fully awarded at an average yield of 5.89%.

Locally, November headline inflation rose to 2.5% year-on-year (YoY) from 2.3% YoY in October, in line with market expectations. The pick-up in inflation was driven mainly by faster food inflation due to adverse weather conditions. A series of typhoons swept through the Philippines in late-October to November, which impacted local food prices, particularly meat, fish, and vegetables.

Fund Performance. The Fund returned -0.76% for the month, underperforming its benchmark by 18 basis points. Year-to-date, return amounted to 3.89%, underperforming its benchmark by 72 basis points.

Fund Strategy. The Fund will accumulate on market dips as volatility from the upcoming Trump 2.0, geopolitical risks coupled with thin market liquidity continue to persist. The Fund's preference is for companies with leading market capitalization and good fundamentals as well as defensive and high-yielding stocks.

For the fixed income portion of the fund, the Fund will maintain its overweight position in terms of duration as the BSP is expected to continue lowering policy rates in 2025.