

Vantage Point

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

MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS, STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

In previous article we noted, the lack of catalysts will cause the stock market to underperform in the near term. Combine this with thin trading volumes and net foreign selling that amounts to PhP 56 billion YTD, then you have the worst performing stock market in Asia. As of this writing, the PSEi is down 10.5% YTD.

Fortunately, the COVID-19 caseload has been trickling lower. Hospitals are also reporting a slight easing in waiting times for rooms. While this is an encouraging trend, we are not yet out of the woods. Thus, an extension of MECQ may be needed to further cement the gains we have made against this epidemic.

Last week, Moody's noted that the "Philippines is the laggard of the entire region" and that "the lack of control of the pandemic, inability to acquire vaccines, and the relative distance from export supply chains all factor into the outlook for the Philippines to be among the weakest in the region." This shows the clear link between vaccine procurement and economic growth. Thus, until such point that it becomes clear that we have enough vaccines for our adult population and that mass vaccination is underway, the PSEi will continue to languish at these levels.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Foreign selling amidst thin trading volume will continue to cause the PSEi to underperform until a significant catalyst emerges. We are using this period of weakness as an opportunity to buy, albeit selectively.