

# Vantage Point

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

## MARKET OUTLOOK: NEUTRAL

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

**TECHNICALS:** SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

Net foreign buying continued to start off June, with the PSEi rising 3.2% on June 2 alone. Though we were seeing both trading volume and foreign participation tapering off, we think this is healthy given how steep the recent upmove was. In fact, a correction or consolidation may actually be healthy for the market.

The country's vaccine rollout and procurement is continuing at smooth and swift pace. That said, private sector participation is crucial to quickening the mass vaccination. We expect the NCR+ rollout to be even faster in 2H21, with a slower rollout in more remote parts of the country. This should hasten the reopening of the Philippine economy.

Inflation remains above the BSP's 4% range, which is a negative for domestic consumption and GDP, especially considering the damage to household disposable income. The government has to be watchful and vigilant for potential spikes as oil and commodity prices have surged in the past weeks.

Even with the strong upmove in Philippine stock prices, the PSEi is still down 5.3% YTD and is the worst performing in Asia, though the gap has narrowed significantly. Dips in high quality stocks with fortress balance sheets and a positive growth trajectory may be used as an opportunity to buy.

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



After its sharp rally at the end of May, the PSEi spiked again to start of June. Given the steepness of this rally, a correction or consolidation may be healthy. Dips may be used as an opportunity to buy.