

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 7000 FOLLOWED BY 7200

With the shift to alert levels and granular lockdowns, there is data that indicates a peak in the NCR daily caseload. Unfortunately, many areas outside NCR still show a rising trend in cases as vaccination rates there remain low.

With the market lacking any catalysts, the PSEi failed yet again in its attempt to pierce the crucial 7000 resistance level. Compounding this failed effort is news of the Evergrande Group's looming bankruptcy. China's 2nd biggest property developer has more than \$300 billion in debt, declining cash flows and many uncompleted property projects. Investors are now worried about a disorderly bankruptcy and its ripple effect on both property and capital markets. We will be closely monitoring developments on this front.

So far, we are not seeing significant foreign outflows as a result of this. However, since the Philippines is part of emerging markets, it would not be surprising to see foreign selling if the Chinese stock market falls sharply. Note that Shanghai is on holiday and resumes trading on Wednesday.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



After retesting the 7000 resistance level yet again, the PSEi once again failed to break it. Jitters over the looming bankruptcy of China Evergrande weighed on Asian equity indices, including the Philippines. We remain to be opportunistic buyers.