MARKET OUTLOOK: BULLISH

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS,

STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE

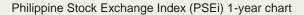
TECHNICALS: SUPPORT AT 7000 FOLLOWED BY 6500, RESISTANCE AT 7400 FOLLOWED BY 7700

After being in the red through most of the year, the Philippine stock market finally turned green. The PSEi surged 4.4% for the week, bringing year-to-date returns to a positive 1.03%. This came after daily caseloads declined for the fourth straight week, boosting hopes for further easing pandemic lockdowns. Vaccinations have now expanded to adolescents from ages 12 to 17. In the National Capital Region

(NCR), where 80% of the target population has been inoculated, new infections have fallen to less than 1,500 per day. It reached a peak of 6,670 per day a month ago.

With Merck's discovery of oral antivirals which may be a gamechanger in the treatment of Covid-19 and the global stock markets regaining ground, the Index decisively broke above PSE 7,000. This is a level it has failed to surpass several times in previous tries. The PSE Index also topped the end-2020 PSEi level of 7,139.

This turned the index from red to green for the year. In stock market parlance, red means a "loss" while green means a "gain." Technical analysis indicates that with this breakout, the initial target for the PSEi is the year-high 7432.





TRADING STRATEGY



As stated in our previous articles, we expected the PSEi to erase its YTD losses and it did so in short order. We expect the reopening of the economy to fuel the stock market's uptrend. From buying on dips, we now recommend buying on breakouts as the crucial 7000 resistance level has been hurdled.