

Vantage Point

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

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 a quiet couple of weeks, a slew of major catalysts greeted markets. Globally, Fed Chairman Jerome Powell's decision to taper bond purchases without raising interest rates was essentially a dovish taper. Investors welcomed this and global markets reached new all-time highs.

Domestically, the move to reduce NCR's quarantine status to Alert Level 2 amidst 8 straight weeks of lower cases was a clear sign that the reopening of the economy is on track. This bodes well for economic growth, corporate earnings and stock prices in into yearend and 2022.

Thus, the PSEi was able to bounce from support of 7000 and retest the 7400 level. It is only a matter of time before this is broken as we believe that the market is now on an uptrend. It is likely that reopening and cyclical plays will outperform defensive stocks, as was seen in global markets where investors picked up battered cyclical plays such as airlines, cruiselines, hotels and travel services.

This week, the results of MSCI rebalancing will also be announced. This should provide some degree of volatility for Philippine stocks as significant buy and sell flows are executed in the coming weeks.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Investors cheered NCR's quarantine level being moved to Alert Level 2. Combined with strength in global markets due to Powell's dovish taper, this caused the PSEi to bounce of the 7000 support level and retest its highs for the year. We are selectively adding more exposure heading into yearend.