

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 7000 FOLLOWED BY 6500, RESISTANCE AT 7400 FOLLOWED BY 7700

Clearly, this pandemic is not yet over. Coming on the heels of Europe's new Delta surge is the emergence of a new and potentially more dangerous variant. WHO named it Omicron, this emerged in Botswana and South Africa. With more than 30 mutations to its spike protein, this may have the potential to dodge vaccine-granted immunity.

Omicron has been detected in countries as far as Canada, Belgium and HongKong. It remains to be seen if the variant can bypass both vaccine-granted and post-infection immunity.

Fears of this variant spread quickly, with Asian markets down between 1.5-2.5% as of last Friday. The PSEi closed down 1.2% on PhP 545M of net foreign selling. Europe was down as much as 4%, with major US indices shedding more than 2% on virus fears.

Given this new development, we are inclined to shift to a cautious stance. We do not have enough information at this time, but initial data indicates that Omicron is a variant of concern that bears watching.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



The new Omicron variant that came out of South Africa is threatening the world's recent economic recovery. With Europe tackling a renewed Delta surge, this could not have come at a worse time. We will err to the side of caution as we monitor this.