

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

US equity indices rebounded from the Omicron-induced correction, with the S&P 500 hitting a fresh record high. This is despite rising cases in the US which has prompted many businesses to close down despite the absence of mandatory lockdowns. Many European countries are also experiencing record cases and very high hospital utilization rates.

This is in contrast to the Philippine experience, which is barely seeing any new COVID cases. However, we note a slight uptick in cases and positivity rate in the past few days. We hope that this is just due to more people congregating due to the holidays and not the start of an Omicron-driven surge.

Uncertainty brought about by Omicron is offsetting what should have been a seasonally strong period for stocks. As it is, the PSEi is hovering just slightly over the flatline on a YTD basis. While we are performing better than Malaysia, China and HK, we are still among the worst performing Asian markets in 2021.

That said, windowdressing on low volume this week could work to the benefit of Philippine stocks. Barring any significant bad news, we may end 2021 in the green.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Fears of an Omicron surge are offsetting the seasonal strength of the stock market. We also note a slight uptick in cases and positivity rate in the past few days. We hope that this is not the start of a new surge. We remain on hold for now.