

## 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 6800 FOLLOWED BY 6500, RESISTANCE AT 7200 FOLLOWED BY 7400

March inflation came in at 4% driven largely by higher food and energy prices. This is at the upper limit of the central bank's 2-4% target range for the year. Moreover, the central bank's latest baseline projections show inflation averaging above the target range in 2022 due to higher global crude oil prices. A sustained rise in inflation would hamper domestic consumption and may hinder the economic recovery.

Fortunately, global crude oil prices have pulled back from their recent highs. Though oil prices remain at elevated levels, the recent price correction may translate to rollbacks in the prices of domestic petroleum products in the coming weeks. This may consequently temper the higher inflation that we have started to see last month.

Still, we continue to monitor various global developments that can drive market direction. These include the Russia-Ukraine war, the economic and financial sanctions on Russia, the movement in oil and commodity prices, the pace of policy normalization of global central banks, and the prospects for global economic growth. We maintain our cautious stance due to the presence of various risks and heightened global uncertainty.



## TRADING STRATEGY

Despite the Russia-Ukraine war and concerns regarding higher inflation, the PSEi closed above the 7,000-mark, ending the week at 7,018. Meanwhile, the peso continued to trade below 52 after the BSP governor said that a policy adjustment of 50-75bps may come in 2H22. Though the PSEi and the peso have both been resilient in the short-term, we maintain our cautious stance amid heightened uncertainty in the global front.

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