

## **MARKET OUTLOOK:** CAUTIOUS SECTORS: OVERWEIGHT TELCOS AND SELECT PROPERTY STOCKS TECHNICALS: SUPPORT AT 7200 FOLLOWED BY 6800, RESISTANCE AT 7500 FOLLOWED BY 8200

The victims of COVID-19 now number more than 70,000, with 1,772 deaths. Excluding the recent data adjustment, the rate of daily infections has been slowing down. Though it may be too early to read into this data, it is still a positive sign that indicates that China is getting closer to putting COVID-19 under control.

This bodes well for markets, which are no longer reacting negatively to the increasing number of cases. As we explained in our market outlook, it also seems that the stock market bottomed shortly after the WHO global alert was issued. In the case of the PSEi, it hit a low of 7,129 two days after the global alert was issued.

We note also that dollar strength did not cause the peso to weaken. In fact, the peso is exhibiting remarkable strength despite COVID-19 fears and has reached the 50.40 level. This may be a result of demand for fixed income securities in a yield-starved world, as well as the positive credit rating outlook from Fitch. This is in sharp contrast to weakness in ASEAN currencies, many of which have weakened significantly. Unfortunately, we are not yet seeing foreign equity inflows. In fact, foreign outflows already amount to PhP 10.6 billion YTD. The PSEi is also down 6.8% YTD, the 2nd worst performing Asian stock market, underperforming even China and HK which were hit by COVID-19.

This week, PSEi rebalancing is also concluding with SMPH getting a significant upweight, while JGS and URC are getting minor upweights. There will also be a major downweight for AGI and minor downweights for BDO, FGEN, ICT, RRHI and SM. Other index stocks are getting negligible downweights. This will have a mildly negative effect on the broad market until today.

8,600 8,400 8,200 8,000 7,800 7,600 7,400 7,200 7,000 Jul Feb Mar Apr. May Jun Aug Sep Oct Nov Dec 20 TRADING STRATEGY



Though fears over COVID-19 remain high, markets seem to have gotten used to the stream of news regarding the disease. The slowing increase in number of infected also boosted market sentiment, with US equities leading the way to record highs. We remain buyers on dips for Philippines stocks.

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Philippine Stock Exchange Index (PSEi) - 1 year chart