

Vantage Point

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

MARKET OUTLOOK: CAUTIOUS

SECTORS: OVERWEIGHT STOCKS WITH SIGNIFICANT SHARE BUYBACKS OR CATALYSTS

TECHNICALS: SUPPORT AT 4800 FOLLOWED BY 4400, RESISTANCE AT 5700 FOLLOWED BY 6000

Global markets continue their rebound on a flurry of good news. On the epidemic side, cases in Europe have started going down, indicating that the worst of the epidemic is behind them. As for the US, there are signs that COVID-19 may hit its peak there in the coming weeks. This goes to show that lockdowns are working in slowing the spread of COVID-19.

Another big news item last week was the Fed's announcement of a \$2.3 trillion stimulus package targeting SMEs, as well as state/municipal governments. The Fed extended its buying to include municipal bonds, "fallen angel" bonds from companies who recently lost its investment-grade rating, commercial mortgage-backed securities (CMBS), and collateralized loan obligations (CLOs). With the Fed throwing even the kitchen sink to resuscitate an economy on lockdown, asset reflation has started to kick in with both equities and bonds rising.

Domestically, mass testing is set to begin during the extension of the ECQ. This will give health authorities more guidance on when and how the ECQ will be lifted next month. Moreover, DOF Secretary Sonny Dominguez said that they are ready in case the lockdown lasts till end of May. Hopefully that is not the case, but it is paramount that this lockdown is effective so that it will not have to be done again.

We note that the flattening of the epidemic curve is largely due to the extended lockdowns being implemented by governments around the world. While this is painful economically, this buys us time until a vaccine is created. While we are not yet out of the woods, we are seeing some light at the end of the tunnel. Thus, we are selectively nibbling in the market.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With the Fed firing yet another bazooka with an additional \$2.3 trillion stimulus package and recent data indicating that the US and Europe have flattened the curve, global markets rallied. We expect the PSEi to participate in this recovery despite the extension of the ECQ. We continue to nibble in the market.