

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 5400 FOLLOWED BY 4800, RESISTANCE AT 5700 FOLLOWED BY 6000

With most countries showing success in flattening the curve, people are now looking forward to life after the lockdown. Markets cheered the prospects of the lifting of lockdowns, with US markets closing out April with their best monthly performance since 1987.

However, sentiment turned quickly as investors were faced with new concerns. With some US states poised to lift lockdowns, the US reported its highest number of daily deaths last Friday at 2,909. There are also reports that Germany is seeing rising cases as lockdowns are being lifted, while Japan and Singapore are extending lockdowns as they got hit by a 2nd wave of COVID-19. Trump is also threatening China with new tariffs, with some government officials saying that China should be financially liable for COVID-19.

On the bright side, Gilead's remdesivir had a positive showing in recent studies. Trump is also launching Operation Warp Speed to cut the development of a vaccine, while Bill Gates is diverting all his foundation's efforts to creating a COVID-19 vaccine. Gates says it might be ready in as soon as 9 months. We believe that a COVID-19 vaccine will be a gamechanger for markets, the economy and our daily lives.

Over the long term, we believe that markets will be higher. However, we expect volatility to continue in the near term as good and bad news pulls the market in different directions. We continue to keep a defensive positioning for the portfolio as we weigh all the incoming news and data.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



After a strong recovery to end the month of April, global markets are once again on correction mode. Concerns over a 2nd wave of COVID-19, mixed earnings and Trump's new tariff threats against China have put investors on the defensive. We remain cautious as well.