

Vantage Point

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

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: RECOVERY PLAYS, COMPANIES WHOSE EARNINGS CAN RECOVER QUICKLY

TECHNICALS: SUPPORT AT 6000 FOLLOWED BY 5700, RESISTANCE AT 6800 FOLLOWED BY 7000

The PSEi continues its catchup rally with a stellar 10.7% gain last week. After months of net foreign selling, the 1st week of June saw net foreign buying of PhP 2.9 billion. This reversal from net foreign sell to net foreign buy was enough to propel our market.

This recovery coincided with the relaxation of lockdowns. With investors seeing that economic growth can finally resume, they snapped up Philippine stocks. At the same time, the dollar was also weakening as investors shifted out of quality, defensive names like US stocks to battered areas like Europe and emerging markets. This caused the peso to strengthen, closing below 50/\$ for the first time since January 2018.

Despite the shift out of US stocks and the dollar, the Nasdaq 100 still managed to make a new all-time high last week, while the S&P 500 capped its strongest 50-day rally in history, gaining 37.7%. All these things happening at the same time are what fuelled the PSEi's furious rally in the past week.

This reinforces our view that the market hit bottom in March. While it is possible for the market to correct after this sharp upmove, it is hard to predict the timing and depth of corrections. At this point, it may be better to hold on to core positions and use dips to increase equity exposure.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



The PSEi staged a blistering rally last week, rising 10.7% on the back of net foreign buying. The shift from US stocks to battered countries such as emerging markets lifted Philippine stocks. Combined with a strong Philippine peso, we recommend that investors buy on dips.