

Vantage Point

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

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: RECOVERY PLAYS, COMPANIES WITH RESILIENT EARNINGS AND TELCOS

TECHNICALS: SUPPORT AT 6000 FOLLOWED BY 5700, RESISTANCE AT 6500 FOLLOWED BY 6800

The surge in COVID-19 cases finally shook investor confidence as some states in the US have raised the prospect of renewed lockdowns. Even here in the Philippines, Metro Manila was nearly reverted to MECQ if it were not for the appeal of mayors. The reimposition of lockdowns is a risk that will have a significant effect on the economy and stock markets.

Offsetting these is a slew of vaccine trial data in the coming weeks. Positive news on this front should stabilize markets. On the flip side, bad news may rattle investors even further. The event-driven nature of the market now will result in much higher volatility.

Domestically, we are seeing OFW remittances significantly weaken in April, falling 16% YoY. If this trend continues or worsens, it will be a large drag to our domestic consumption and GDP. We note that despite this bad news, the peso continues to remain strong due to the US dollar's weakness.

It remains to be seen whether investors will continue to shrug off rising COVID-19 cases. So far, markets are not reacting the way they did at the start of the pandemic. All eyes will now be on 2Q earnings season, but not just because of reported earnings. Forward guidance and the market's reaction to earnings release will be a good indicator of how much of the current situation is priced in by investors. For now, we are on hold as we take stock of developments surrounding the COVID-19 pandemic.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



With new lockdowns now becoming a possibility in the US and Philippines, markets have started to weaken. We will maintain our current positioning as we monitor developments here and abroad.