

## MARKET OUTLOOK: CAUTIOUS

**SECTOR PICKS:** TELCOS, LOW VALUATION STOCKS WITH STRONG EARNINGS GROWTH POTENTIALS FOR 2021 **TECHNICALS:** SUPPORT AT 5700 FOLLOWED BY 5000, RESISTANCE AT 6500 FOLLOWED BY 6800

As US markets continue to make new highs on the back of technology stocks and defensive plays, Asian indices which are more exposed to the traditional economy continue to languish, including the PSEi. As of this writing, the PSEi is the worst performing Asian stock market, down 26% YTD.

The discovery of an effective vaccine will be the crucial catalyst that will drive Asian markets higher. Without that, a shift from defensive stocks to cyclical or battered names is unlikely to materialize. News such as Abbott's 15-min rapid test are helpful for sentiment but not enough to push our market significantly higher.

We see the opposite story for the peso, which is up 4.5% YTD and is the strongest currency in Asia. Recent comments from BSP Governor Ben Diokno as well as weakness in imports are adding fuel to the peso's ascent.

Fed Chairman Jerome Powell's statement last week on inflation targeting also points to lower interest rates for longer as the new "average inflation target" indicates that he is willing to let inflation stay above target for a while before raising rates. This also shows the impact of COVID-19 on growth expectations.

Further, in his speech Monday night, the President maintained the General Community Quarantine (GCQ) classification in Metro Manila for another 15 days. Other areas under GCQ were Bulacan and Batangas for Luzon. Until such point that the Philippines can see a clear way out of this pandemic and embark on a path of normalization, our stock market is likely to remain locked in a consolidation. Thus, we will not rush into buying and will be using sharp dips as opportunities to selectively increase equity exposure.



## TRADING STRATEGY



Despite peso strength, the PSEi continues to languish as foreign selling continues. MSCI rebalancing today will also added to foreign selling pressure. We will be using sharp dips as opportunities to buy.

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.