

# Vantage Point

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

## MARKET OUTLOOK: CAUTIOUS

**SECTOR PICKS:** CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS, STOCKS WITH LOW VALUATIONS BUT POTENTIALLY STRONG EARNINGS GROWTH IN 2021

**TECHNICALS:** SUPPORT AT 5700 FOLLOWED BY 5000, RESISTANCE AT 6500 FOLLOWED BY 6800

Initially, all eyes were on the US Presidential debates, which turned out to be a messy one as both candidates interrupted each other's speaking part, with Trump doing most of the disruption. Commentators homed in on Trump's unwillingness to accept defeat or guarantee peaceful elections, which rattled investors momentarily.

However, after a few days of debated-related chatter, airwaves are now dominated by Trump catching COVID-19 last week, Trump has since been confined at the hospital following a sharp drop in his blood oxygen levels. News remains fluid, but reports indicate that he has stabilized, though he is not out of the woods yet.

Some members of Trump's inner circle were positive for COVID-19 as well, including the first lady, 2 close aides, as well as senior Republican officials. This will have a significant impact on his campaign as Trump will be in quarantine for at least 2 more weeks. This is crucial as there is only 1 month left before elections and Biden still has the lead in the most recent surveys.

In the advent of the news, US futures dropped sharply. But we note that since then, global markets have remained stable as investors closely monitor his condition. We expect Trump's health and US elections to be the biggest driver of news in the coming weeks.

Because of these events, we expect volatility to remain high. Thus, we will be using dips as an opportunity to gradually increase our exposure to battered recovery plays.

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



With Trump getting infected with COVID-19, investors are monitoring his health conditions as well as its impact on US elections. So far, global markets are volatile but taking this in stride. We are slowly nibbling on dips as we partially rotate out of some defensive positions into cyclical stocks.