

# Vantage Point

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

## MARKET OUTLOOK: NEUTRAL

**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

With Trump's return to the White House, his focus is now on narrowing Biden's lead in the polls. Though surveys may not reflect the actual results of elections as it did in 2016, investors seem to be expecting Biden to prevail in November. However, we may see volatility heading into the election as Trump has refused to pledge that he will accept defeat. Moreover, if Biden does not win a wide margin, Trump may go to the courts and delay the proclamation of president.

The spotlight also moved from vaccines to cures as Trump seems to have successfully recovered from COVID-19 despite a scary first few days. Of note were dexamethasone, Remdesivir and Regeneron's monoclonal antibody therapy. An effective cure will be an important bridge towards a potential vaccine.

We also observed that the market is no longer as sensitive to negative COVID news as before. This shows that markets really want to go up and are looking forward to some form of normalcy in 2021.

This should bode well for emerging markets, especially if growth picks up, because it will lead to a shift from defensive/WFH stocks to battered cyclical/recovery plays. With the Philippines in the latter category, we should be a beneficiary of this shift when it unfolds.

However, net foreign selling is unabated, keeping our market locked in consolidation. On the other hand, when this reverses, we may see a very sharp rally in Phil. stocks.

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



We expect markets to move sideways heading into US elections, potentially with significant volatility. Fortunately, the flattening of the curve domestically should provide support for the PSEi.