

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, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICALS: SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

Despite calls for another week of ECQ, the government downgraded the quarantine level for NCR+ to MECQ. Thought the R0 has dropped to 1.2, daily cases are still at their highs, hospital capacity is at critical levels, and deaths continue to rise. We hope that the daily case count falls despite the easing of quarantine levels.

While the medium term outlook is rosier because of mass vaccination in 3Q21, the next 3 months is quite murky as the performance of both the stock market and economy are tied to the number of COVID cases. With 1Q21 earnings only coming in 1 month from now, we expect the PSEi to meander around these levels for the time being.

Note that while the PSEi continues to remain weak, the US stock market has made new highs in the past week. It is experiencing a broad-based rally which is mostly due to the fast pace of vaccination. Note that the PSEi is down 8.7% YTD, the worst performing stock market in Asia.

Due to the lack of catalysts and the worrisome COVID-19 situation, we will stay on the sidelines for now unless we see sharp price spikes in either direction.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



After 2 weeks of ECQ, the government downgraded NCR's quarantine level to MECQ as the growth in daily cases slowed down. However, we note that it remains elevated and that hospital capacity is still at critical levels. We expect the market to remain listless for the time being.