

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 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

Hopes that vaccines would be a gamechanger were dented in the past weeks as both developed and developing countries experienced new COVID surges. This can be attributed to relaxation of quarantine rules as well as the emergence of new variants that have escape mechanisms against vaccines. The Philippines is experiencing this as well, with case counts still above 10,000 per day despite the 2-week ECQ.

Unfortunately, there is no catalyst in the near term that can offset this bad news. 1Q21 earnings can work both ways, so low valuations are needed to generate significant margin of safety. Secular growth stories that are not tied to the domestic economy are also few and far in between.

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



The market continues to meander at support levels as daily case counts remain elevated. The lack of catalysts in the near term as well as COVID resurgences globally will sap bullishness from markets. This is an opportunity to buy battered names on a very selective basis.