

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, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

The rate of daily vaccinations continue to rise, with the latest 7-day rolling average now above 160,000 doses. This bodes well for the mass vaccination effort as the dosing capacity seems to be rising along with supply. This may increase even further with the participation of the private sector and the arrival of more vaccine doses in the coming months. According to IATF Head Carlos Galvez, Jr., we will have received 20 million vaccine doses by the end of June, with more than 20M more scheduled to arrived in the latter half of the year.

With the stock market's underperformance largely due to COVID-related factors, a faster-than-expected vaccine rollout may be key to a lasting recovery for the stock market and economy. We will closely be monitoring data on this front as it becomes available. So far though, it is encouraging.

While valuations for many stocks have fallen to distressed levels, we note that earnings growth is also lacklustre. Thus, one has to be selective in buying and have a long term time horizon as the recovery remains to be slow and uneven.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



We expect to see heavy net foreign outflows this week due to MSCI rebalancing. If one was able to raise cash previously, this may be an opportunity to buy back at lower levels.