

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

With MSCI rebalancing concluding last week, investors were surprised by the huge surge in the PSEi, which rose 5.1% on May 27 alone despite PhP 890 million in net foreign selling. This indicates that we may have hit an intermediate bottom on May 14 at the 6080 level.

In our previous articles, we noted the quickening pace of the vaccine rollout. This may have been noticed by some foreign funds as shown by the net foreign buying on May 28 which amounted to PhP 917 million.

While a correction is healthy after the spike we saw, we believe that dips are an opportunity to buy as long as the mass vaccination program is implemented swiftly and effectively in the coming quarters. This is the key to the reopening of the economy, recovery in corporate earnings and rise in stock prices.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



With the PSEi rising 6.9% despite MSCI rebalancing last week, we would rather use dips as opportunities to buy. That said, this is an encouraging move that may signal the end of the downtrend we have been experiencing in the past 5 months.