

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 6800 FOLLOWED BY 6500, RESISTANCE AT 7000 FOLLOWED BY 7400

After enduring years of net foreign selling, the PSEi has finally experienced 2 straight weeks of net foreign buying. Although net flows are smaller than the previous week, it was enough to bring the PSEi to the 6900 level. We note that other emerging markets are showing strong performance as well, but the PSEi has outpaced them in the past 2 weeks, erasing most of its YTD losses.

The most crucial factor for the recovery of the stock market and economy is the vaccine rollout. While it slowed down last week as vaccine supplies were nearly used up, the arrival of millions of doses this week should boost inoculation again. If this continues to speed up as more doses arrive, the reopening of NCR+ may come sooner rather than later. This will provide a significant boost to our GDP and corporate earnings.

One risk we have to watch is inflation. With oil prices still rising and now back at 2018 levels, it is only a matter of time before this leads to price hikes for most consumer goods. This may dampen consumer sentiment as costs rise even as individual income has yet to recover.

We will continue to use dips in high quality stocks with fortress balance sheets and a positive growth trajectory as an opportunity to buy.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



The PSEi continued to move higher, albeit at a slower pace. The absence of significant foreign selling and the smooth vaccination drive underpins the recovery of the stock market. We are continuously increasing our exposure in anticipation of the Philippines' economic recovery.