

# 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 6500 FOLLOWED BY 6200, RESISTANCE AT 7000 FOLLOWED BY 7200

Despite forecasts of the DOH that cases will continue to rise through September, images of queues outside hospitals and 3 straight days of 20,000+ daily cases, NCR is lowering its quarantine level to GCQ. This will further increase mobility and allow more establishments to resume operations. We hope that this does not lead to a reacceleration of the COVID-19 epidemic here. As it is, hospitals are still at critical capacity and infection clusters are widespread.

Assuming the proposed granular lockdowns are effective, we think it can achieve a healthy balance between controlling the spread of COVID-19 and reopening the economy. That said, proper and consistent implementation is imperative for it to have a positive effect.

On the trading front, we note that foreign flows finally turned net buy in August, officially ending a 21-month exodus of foreign funds. As we mentioned before, even a pause in a foreign selling will cause our market to recover, as we saw recently. However, any sustainable recovery is likely predicated on net foreign buying.

It is also encouraging that vaccinations are picking up, especially in NCR. As the data shows, cases are much higher in the provinces where vaccination rates are low. Although it makes economic sense to concentrate vaccines in NCR, we note that provinces will eventually need a consistent supply of vaccines to prevent future outbreaks. Still, it seems that we are slowly moving normalcy, so we are cautiously optimistic about the stock market and economy.

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



The PSEi is stabilizing close to the 7000 resistance level despite daily cases exceeding 20,000. Foreign investors also welcomed the reopening of the economy, with NCR now under GCQ for the rest of September. Though we are slowly increasing equity exposure, we hope that this reopening does not cause daily cases and deaths to rise again.