

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 7000 FOLLOWED BY 6500, RESISTANCE AT 7400 FOLLOWED BY 7700

A new risk is emerging as Europe, which previously had COVID under control, is now experiencing a renewed surge. Countries such as Germany are experiencing record-breaking surges. The resulting lockdowns led to demonstrations across the world, from Europe all the way down to Australia.

This makes the development of an easy-to-use and accessible COVID treatment all the more critical. Vaccine hesitancy combined with variable duration of vaccine efficacy makes herd immunity quite difficult to attain.

Fortunately, we are not seeing any surge in the Philippines. In fact, we are likely to move to Alert Level 1 if cases remain very low. We hope that cases continue to trend lower despite the large gatherings that occur during Christmas season.

One benefit of the surges in other countries is the drop in oil prices as growth forecasts are reviewed. This has led to significant rollbacks in domestic gasoline prices which should help bring down our inflation which still remains stubbornly high.

Finally, MSCI rebalancing at the end of the month may lead to temporary volatility and weakness for index names as their weightings are trimmed to make way for the entry of ACEN and MONDE. Given all these, we remain on hold for now.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



After global markets hit record highs, investors turned cautious as parts of Europe experienced record-breaking surges. This is putting into question the strength of the global economic recovery. We remain on hold as we monitor the COVID situation in other parts of the world.