

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

MARKET OUTLOOK: CAUTIOUS

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

In a matter of weeks, the Philippines went from next to no COVID cases to 4600 daily cases. Even more alarming is the positivity rate of 20% which indicates that actual cases are significantly higher than reported. Note that NCR's positivity rate is probably north of 25% by now. Similar to the Delta surge, we are now hearing many of our friends and colleagues contract COVID. The surge is real.

This is very likely an Omicron-driven surge which was amplified by the increased mobility during the holidays. As a result, NCR was moved from Alert Level 2 to 3. Though there may be less mobility as a result of this and the end of the holiday season, people are also returning to the office as the year starts. If surges in other countries are any guide, we may be seeing at least 1 month of elevated cases.

Given how transmissible Omicron is, it is possible that the Philippines exceeds previous records of daily cases. On the bright side, research indicates that Omicron has a milder effect on healthy, vaccinated individuals. We hope that deaths do not rise as much as cases do. In addition, hospital stays for Omicron tend to be shorter, with the average being 3-4 days based on data from European countries and South Africa.

Thus, we do not expect a deep correction due to Omicron. However, we expect the stock market to remain weak until the surge is close to peaking. We remain on hold for now as we monitor this concerning situation.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



With the sharp rise in COVID cases, we are likely in the midst of an Omicron surge. Fear gripped investors, with the PSEi giving up all its gains by the end of December. We remain on hold for now as we monitor this surge.