

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

With cases in NCR dropping significantly, OCTA research says Metro Manila may be in for a happy Valentine's season with cases dropping below 1000/day. Anecdotal evidence indicates that foot traffic in CBDs has started picking up in the past few days.

In fact, many countries are relaxing restrictions as they move into the "endemic phase" of COVID-19. This choice to live with COVID-19 instead of maintaining zero COVID will help support the recovery of the global economy, especially those sectors that were most affected by mobility restrictions.

Global markets performed much worse though. The S&P 500 lost 5.7% last week, while the tech-heavy Nasdaq shed 7.6% for its worst week since the COVID drop in March 2020. This is a result of investors reallocating their portfolios out of high growth but loss-making tech stocks to reopening plays. At the same time, some funds are taking some chips off the table as the pace of interest rate hikes may pour cold water on the nascent post-COVID recovery.

So far though, the PSEi is holding steady despite weakness in most markets. Continuing to consolidate instead of falling alongside them is a very encouraging sign for the Philippine stock market.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



The PSEi continues its volatile 4-month consolidation between 7000 and 7400. With Omicron fears largely abating, the specter of sharply rising interest rates has caused investors to be very tentative. We remain on hold for now.