

# 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

The PSEi gained 2.8% last week, continuing its remarkable performance. The sharp drop in daily cases and a faster reopening of the economy have boosted sentiment significantly. In fact, the PSEi is the 3rd best performing Asian market on a YTD basis.

So far, the specter of rising interest rates has not dragged the PSEi down - a stark contrast from the performance of its EM peers and DM equity indices. This can be explained by inflation remaining within the BSP's target as well as a stable peso despite interest rates remaining unchanged. This is a tough balancing act which, if done correctly, is a boon to Philippine assets.

Next week, there will be significant changes to the PSEi. BLOOM and RRHI will be removed in favor of MONDE and EMP. Though this will drive flows accordingly, we note that the changes are already expected by the market.

While the PSEi has proven resilient in recent weeks, we expect volatility to return, as is the case in all early rate hike cycles. We will be using dips as an opportunity to buy.

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



The PSEi continues to rise as investors put Omicron behind them. The stability of the peso and manageable inflation are underpinning our stock market's strength. We note though that the index's strength is coming primarily from the banking sector.