

Vantage Point

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

MARKET OUTLOOK: CAUTIOUSLY BULLISH

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 6800 FOLLOWED BY 7000

After a sharp recovery, global markets took a breather last week. Though influential figures such as JP Morgan CEO Jamie Dimon and Tesla CEO Elon Musk expressed concern over a recession later in the year, markets mostly shrugged it off. Note that many European CEOs and even the Bank of England are already expecting a recession for Europe in 4Q22. If a recession does not come to pass or if central banks are able to engineer a soft landing, then it is possible that equity markets have bottomed. However, if we experience something worse than a garden variety recession, then it means that we will remain in choppy waters for a while longer.

On the inflation front, US inflation has show signs of peaking and this may have been one of the factors behind the recent rally. On the other hand, Europe inflation continues to rise. In the Philippines, inflation has not peaked either as economists expect inflation to rise as much as 5.8% before tapering off.

With some stocks at price levels close to the lows of 2020 when COVID first hit us, it can be said that there is already value for investors coming in at these levels. However, buyers have to be cautious and selective as we are not yet out of the woods.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Global markets continue to recover from their lows, albeit on high volatility. Risks still abound though, especially as inflation remains elevated as monetary policy continues to tighten. Those with low equity exposure may slowly dip their toes into the market on weakness.