

# Vantage Point

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

## MARKET OUTLOOK: CAUTIOUS

**SECTORS:** OVERWEIGHT STOCKS WITH SIGNIFICANT SHARE BUYBACK OR CATALYSTS

**TECHNICALS:** SUPPORT AT 4800 FOLLOWED BY 4400, RESISTANCE AT 5700 FOLLOWED BY 6000

After experiencing its fastest drop from record high into bear market territory, US investors got to have a sigh of relief as the Dow Jones index rose 11.3% in one day - its best one-day move in more than 90 years. This was due to optimism over a record \$2 trillion stimulus package and hopes that lockdowns may be slowing the virus' spread. Eventually, the Dow Jones index gained 24% from the bottom - its best 3-day gain since 1931. Unfortunately, with US cases surpassing those of China, US stocks corrected once again last Friday. Last week, the number of deaths in Italy and Spain had exceeded that of China. The PSEi also swung from a 4.4% gain to a 2.5% loss last Friday. If global markets continue to correct, so will Philippine stocks.

Despite the strict lockdowns and quarantines, the number of cases worldwide now number 723,000 as of this writing, with more than 34,000 resulting in death. White House health adviser Dr. Anthony Fauci also warned that the US could see millions of infections and up to 200,000 deaths. As a result, Trump walked back earlier comments on normalization by Easter. Instead, he extended the US lockdown until end of April. This rising human toll will continue to weigh on investor sentiment until such point that the epidemic is contained.

In the past week, economists cut their growth projections sharply as they forecast a sharp recession starting in 2Q. Just yesterday, IMF Chief Kristalina Georgieva confirmed these projections, saying that the world is already in a recession because of COVID-19. BSP Governor Ben Diokno echoed these concerns, saying that while 1Q growth could be 3%, he expects negative growth in 2Q and 3Q before GDP rebounds in 4Q.

With lockdowns still in place as the virus continues to spread, it remains to be seen how long it will take before COVID-19 is contained. Until it becomes clear that the pandemic is contained or has peaked, we will hold off increasing equity exposure. We continue to closely monitor developments regarding COVID-19.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



After initially cheering the record \$2 trillion stimulus package in the US, the 3-day relief rally gave way to bearish sentiment once again. COVID-19 cases and deaths continue to rise in the US and Europe. With a recession practically in the cards because of prolonged lockdowns, we remain cautious as we monitor developments surrounding this pandemic.