

MARKET OUTLOOK: CAUTIOUS SECTORS: OVERWEIGHT STOCKS WITH SIGNIFICANT SHARE BUYBACKS OR CATALYSTS TECHNICALS: SUPPORT AT 5400 FOLLOWED BY 4800, RESISTANCE AT 5700 FOLLOWED BY 6000

Last week, investors were shocked and baffled by the move in oil prices, especially WTI May crude oil futures - the benchmark for onshore US crude oil prices. For the first time in history, the contract went below zero, falling to as low as -\$37/barrel, which means producers are paying you to take their crude oil for May delivery. With demand dropping like a rock because of COVID-induced lockdowns, oil storage facilities around the world quickly filled up. With no one to take the excess oil production, producers sold at whatever price.

This move in oil prices is symptomatic of the magnitude of economic slowdown we are experiencing as a result of COVID-19. With the ECQ extended till May 15 and the GCQ thereafter still limiting a big chunk of the economy from reopening, we are going to see a significant contraction from 2Q-3Q this year.

Abroad, we are heartened to see that most countries have flattened the curve. However, we are wary of a 2nd wave of infections. Unfortunately, parts of Japan and China, as well as Singapore, have reported that new epidemic clusters have sprouted. This bears watching as it can provide insight into what will happen to the Philippines once lockdowns are lifted.

On the bright side, many vaccines are moving through different phases of testing. Once an effective vaccine is discovered, we expect markets to embark on a sharp recovery. Until then though, we expect stocks to remain volatile and news-driven.





Markets are taking a breather as investors digests the record-breaking drop in oil prices as well as new data on COVID-19. With some countries looking to exit lockdown mode, we will be closely monitoring whether a 2nd wave of COVID-19 emerges. We will stay on hold in the meantime.

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