

MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: TELCOS, STOCKS WITH SIGNIFICANT SHARE BUYBACKS OR CATALYSTS **TECHNICALS:** SUPPORT AT 5400 FOLLOWED BY 4800, RESISTANCE AT 5700 FOLLOWED BY 6000

The first potential breakthrough in the quest for a COVID-19 vaccine came last week. Last May 18, American biotechnology company Moderna reported encouraging data from the Phase 1 trial of its COVID-19 vaccine. Though there is still a long road ahead of it, hope for a vaccine was enough to cheer up global investors.

However, the strength in global stocks did not seem to have helped the PSEi much. The PSEi closed yesterday at 5496, down 8% from its recent high. Foreign selling continues unabated as some companies reported 1Q20 earnings that

should have also boosted the market because of the immediate 5% corporate tax cut and 4-9 year sunset provision for existing incentives.

There also reports that Metro Manila will be shifted to a less stringent lockdown (GCQ) by June 1. This should help our economy get back on its feet. However, we caution that a resurgence in infections is possible. As was the case in Korea, Japan, Malaysia and other countries that lifted lockdowns, new epidemic clusters appeared 2-3 weeks after lockdowns were lifted. Note also that some cities and provinces are shifting back to a stricter ECQ as cases in those areas continue to rise.

With MSCI rebalancing concluding on Friday, the PSEi is likely to remain soft this week. We shall be using this weakness as an opportunity to buy back some of our positions which we sold at higher levels.





News of a successful Phase 1 vaccine trial sparked a rally in global stocks. Unfortunately, the PSEi continues to suffer from foreign selling. With the PSEi now down 8% from its recent high, we have started nibbling slowly and selectively in the market.

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