

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

After failing to follow the uptrend of global stocks in past weeks, the PSEi finally caught up with a strong 4.8% move last Friday on the back of PhP 955 million of net foreign buying.

This can be attributed to the move from MECQ to GCQ. With the Philippines having one of the longest lockdowns in the world, the relaxation of lockdowns may herald the beginning of the Philippines' economic recovery. However, we have to be wary of the rising number of COVID-19 cases. On the flipside, this can be attributed to wider testing, with the DOH classifying cases as "old" and "new".

Trump's much awaited speech against China last Friday did not include any mention of scrapping the US-China trade deal, much to the relief of investors. It did include the US' withdrawal from the WHO and the elimination of special treatment clauses for HK, but these were not significant concerns for many investors. Yesterday morning, China also released May manufacturing PMI data. Coming in at 50.7, it was higher than forecasts of 49.6. A reading above 50 indicates an expansion. Moreover, this is the fastest expansion for China PMI since January 2011.

These news boosted Asian markets, including the Philippines. From an earlier loss of 1.5%, the PSEi swung to a gain of 1.6% on PhP 250M of net foreign buying. Philippine Stock Exchange Index (PSEi) - 1 year chart





Despite MSCI rebalancing and the rise in COVID-19 cases domestically, the PSEi rallied strongly last Friday. The relaxation of quarantines, Trump's inaction on the US-China trade deal and above forecast Chinese economic data are positive for stock prices. Though high uncertainty remains, investors may nibble slowly in the market.

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