

Vantage Point

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

MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS, STOCKS WITH LOW VALUATIONS BUT POTENTIALLY STRONG EARNINGS GROWTH IN 2021

TECHNICALS: SUPPORT AT 5700 FOLLOWED BY 5000, RESISTANCE AT 6500 FOLLOWED BY 6800

The sharp correction in US mega-cap tech and work from home stocks continued last week, with the Nasdaq notching the fastest move from record high to correction territory in its history. Its 10% drop over 3 days dragged down other US indices and global markets as well.

Typically, the PSEi should have fallen as well. However, our market bucked the trend instead and rose, making the PSEi the best performing index in Asia last week. Note that despite unabated net foreign selling, heavy local buying from both retail and institutional investors last week was enough to push our market higher.

This recent outperformance can be attributed to 3 things, namely, the shift from tech/work from home stocks to battered recovery plays, the flattening of the curve and vaccine/drug partnerships with many countries. The signing of Bayanihan 2 should also give the broad market a little bump higher.

That said, we have to be wary as COVID-19 cases have started rising again. The easing of restrictions on mass transportation are also a risk. If we can keep COVID-19 under control in the coming months, it will be a big boost to our economy and stock market.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



The PSEi is showing relative outperformance despite the weakness of the US and choppiness of other markets. Cash will be deployed on dips.