

MARKET OUTLOOK: POSITIVE

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 6500, RESISTANCE AT 7000

As we said in our previous report, a pullback for the PSEi will be healthy because of the steepness of the rally. However, with MSCI rebalancing also concluding this week, the correction has been equally sharp as well. In fact, as of this writing, the PSEi is the worst performing stock market in the world for the week as it dropped 5.3%.

That said, this is a welcome correction. With the PSEI going as high as 7263, the market was already starting to price in a 2021 recovery. These are price levels which provide little margin of safety. It may be better to use dips as opportunities to buy.

While the short term trajectory is hard to predict, we believe the medium and long term trend for the PSEi is higher. Not only do we expect a vaccine in the latter half of 2021, but we are also entering an election year in 2022. This bodes well for domestic growth and consumption in 3Q21 onwards.





After an extended rally, the PSEi is finally correcting. MSCI rebalancing may be an opportunity to start increasing equity exposure again. We remain to be buyers on dips.

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.