

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 7000 FOLLOWED BY 6800, RESISTANCE AT 7500 FOLLOWED BY 8000

Concerning news flow over rising cases of COVID-19 in many countries contrasts with the continuing ascent of stock prices. Some countries are seeing ICU capacity get filled up such as in the US, while you have the UK, Japan and Australia raising lockdown levels to the most stringent since the pandemic started.

Amidst this saddening backdrop, you have US and Korean equity indices reaching all-time highs, Japan at multi-decade highs and ASEAN markets erasing almost the entire COVID plunge. This shows that investors are pinning their hopes on a swift vaccine rollout that will bring the world back to normalcy by 2022. Domestically though, we have yet to secure enough vaccines to inoculate our entire population. Once it is clear that we will be able to inoculate a significant portion of the Philippine population, sentiment mav dramatically positive, turn with а commensurate impact on the stock market.

The BSP's easy monetary policy and monetization via lending to the government are welcome stimulus programs that will help jumpstart growth and put a floor on asset prices. However, with the expiration of Bayanihan 2's loan moratorium, rising NPLs bear watching.

Globally, we are monitoring the results of Senate runoff elections in Georgia on January 5. A Democratic sweep there will result in a Blue Wave, which may point towards higher taxes in the US. It is interesting to see how the market would react to this. Until then, we remain on hold as we are still in a seasonally strong period for stocks. Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



In the absence of local developments, we expect foreign news flow to drive the local market. That said, we are still in a seasonally strong period for stocks so we remain on hold for now as we are nearly fully invested.

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.