

Vantage Point

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

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

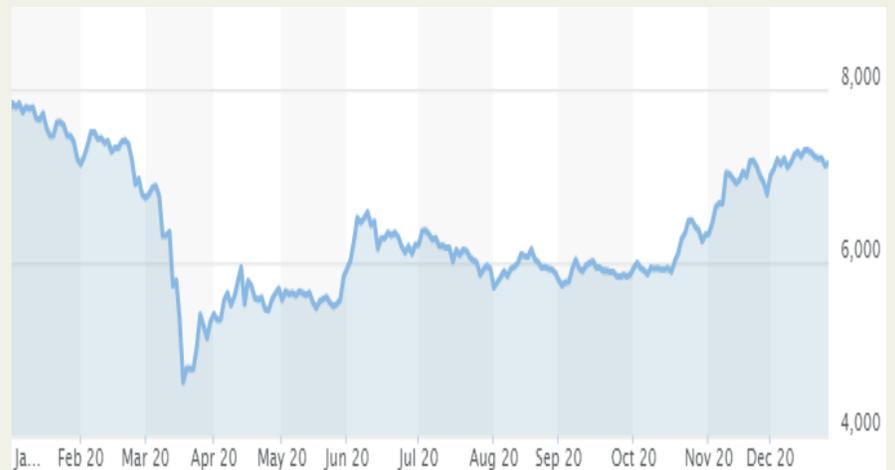
With cases of the new COVID-19 variant being detected in more and more countries, many nations implemented border lockdowns. While this strain seems more contagious, experts are quick to note that the current batch of vaccines will likely work against the new strain. Unfortunately, this comes at a time when countries that previously had the epidemic under control are now experiencing record spikes in their daily cases.

We do not expect markets to be as sensitive to a spike in COVID-19 cases, which is what we are seeing now. Since the market is a forward-looking creature, it is pricing in a successful vaccine rollout and a move towards normalcy in 2H21 onwards. Hopefully, the Philippines is able to secure vaccine supply and inoculate a significant portion of our population before end-2021. The earlier this can be done, the sooner we can go back to normal. Prior to this, it is crucial that we keep domestic cases contained in order to avoid a renewed lockdown in 2021.

On the monetary front, the BSP has signalled that interest rates will remain low until 2022 in order to stimulate growth. While loan growth has not materialized yet due to the high degree of uncertainty this year, this should incentivize companies to borrow more next year, especially those that have yet to restart their capex cycles.

Barring any sharp movements in the market, we will remain on hold for now as we monitor the vaccine rollout and the spread of the new COVID-19 variant.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



As expected, thin volumes resulted in higher volatility. If there are sharp dips, we may use these as an opportunity to buy. Otherwise, we remain on hold as monitor the vaccine rollout and the new COVID-19 variant.