

MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS, STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE **TECHNICALS:** SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

With ECQ for NCR+ extended by another week, we expect the PSEi to consolidate or correct as there is no major catalyst in the near term. Daily cases continue to reach new records while hospital capacity is still at critical levels. It remains to be seen if government will extend ECQ beyond April 12, but assuming they do not, NCR+ will be under MECQ instead.

Fortunately, vaccinations are underway, with more than a 700,000 people inoculated. Most of these are from the A1 group, or healthcare frontliners. Inoculations of A2 (senior citizens) and A3 (persons with comorbidities) have also started, albeit at a slower pace. However, the turning point will come only once mass vaccination is complete. This is likely to commence in 3Q21. Once there is clarity on the mass vaccination schedule, we expect the stock market to trend higher.

Today, we will also be seeing the March inflation print. This is another dampener for growth as inflation remains above the BSP's 2-4% target range. It is paramount that the Philippines does not stay in a low growth-high inflation environment for too long, otherwise the economic scars may become deeper than they already are.

As we noted in our previous articles, trading volume has dropped more than 30% over the past few weeks, with an even larger drop for index names. This period of disinterest may be used as an opportunity to accumulate for investors with a long term view.



TRADING STRATEGY



With hospital capacity still at critical levels and a record high in daily cases, the government was forced to extend ECQ in NCR+ by another week. The market will likely take a breather as investors assess its impact sentiment, economic growth and corporate earnings.

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