

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, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

Not only is the daily caseload going down, but daily vaccinations are picking up. Last week, the country vaccinated 68,000 people per day, nearly double the previous week's tally of 36,000 people. Another 16 million doses of vaccines are also arriving between now and the end of June. Now that it seems vaccine supply is picking up, the next step will be smooth and swift inoculations, especially in NCR+.

Unfortunately, the PSEi continues to languish as foreign selling from MSCI rebalancing has begun. Combined with the previous outflows, foreign selling ex-blocks is already close to PhP 60 billion for the year. Note also that AC Energy just completed a PhP 13 billion share offering, with Monde Nissin also embarking on an IPO of at least PhP 55 billion (listing on June 1). With all these mammoth offerings coinciding with MSCI rebalancing, locals may be experiencing indigestion.

That said, many stocks have already fallen to attractive valuation levels. If the mass vaccination drive of the government can be implemented swiftly and properly, then that will be the long term catalyst that can pull both our economy and stock market out of the rut.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



New of MSCI rebalancing and the accompanying countryweight downgrade sent the PSEi tumbling close to the support level of 6200. Some stocks are looking attractive at these levels but foreign flows continue unabated. New share issuances from Monde Nissin and AC Energy will also sap liquidity from the rest of the market.