MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS,

STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE

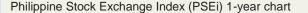
TECHNICALS: SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 7000 FOLLOWED BY 7200

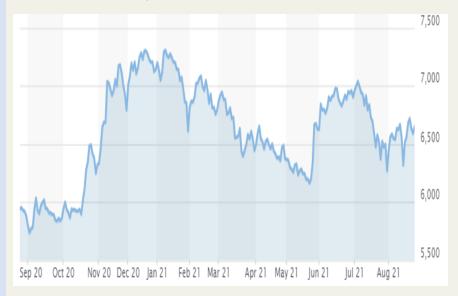
With cases still continuing to rise and hitting record highs, some people were expecting ECQ to be extended. Instead, to reduce the economic impact of COVID-19, the government and LGUs decided to relax the lockdowns. While this is a tough call to make, we recognize that the government is in a difficult balancing act.

Thus, we expect the market to consolidate in the near term as both local and foreign investors monitor how the epidemic progresses in the Philippines. We note that some of our neighbours have mostly avoided lockdowns are implementing strict stay-at-home orders, such as Australia, New Zealand and Vietnam. Other Asian countries are reimposed lockdowns yet again, such as Indonesia, Thailand and Malaysia.

On the bright side, we are seeing trickles of foreign infllows in the recent days. We will be monitoring this, but for now, it seems that the brunt of foreign selling is past.

Another concern is the peso, with research firms such as Goldman Sachs writing that we are the 2nd weakest Asian currency over a 2-month period. Further peso weakness will weigh on Philippine capital markets, especially if it is sharp. The best scenario would be a stable peso, one that is neither too strong or too weak.





TRADING STRATEGY



Despite both domestic weekly and daily COVID-19 cases hitting record highs, quarantine restrictions were relaxed. While this is supposedly good for the economy, we are concerned about the human toll of the epidemic. Thus, we will be cautious buyers.

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