

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 6500 FOLLOWED BY 6200, RESISTANCE AT 7000 FOLLOWED BY 7200

This current surge brought about by the Delta variant brought back memories of the March-April surge where hospitals were filled to the brim and people could no longer get rooms. Deaths are also on the rise, with the main difference being provinces are harder hit than NCR.

However, instead of the market falling, it has instead risen and is inching its way closer to the psychological 7000 resistance level. The most recent rally was sparked by a sharp upmove in GLO due to meteoric growth and high funding valuation for Gcash, which in turn carried TEL and the rest of the market. We also note that we are seeing near daily net foreign buying. As we said before, consistent net foreign buying is crucial to a lasting recovery for our stock market.

On the economic front, NEDA Director General Karl Kendrick Chua said we may see a return to pre-COVID levels of GDP by end-2022 or 1Q23. Though this is still far off, improving vaccination rates can hasten our return to normalcy.

Globally, all eyes will be on Fed Chairman Jerome Powell's statement at Jackson Hole. We expect the market to react next week to his statements on the potential timeline of tapering. That said, we do not expect a significant correction as these moves are well telegraphed.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Though daily cases have yet to reach their peak, we note that the stock market is actually rising instead of falling. This is a good sign and reflects optimism in the country's vaccination program and eventual reopening. We are slowly and opportunistically increasing equity exposure.