MARKET OUTLOOK: BULLISH

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

STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICALS: SUPPORT AT 7000 FOLLOWED BY 6500, RESISTANCE AT 7400 FOLLOWED BY 7700

After surging past the 7000 level and erasing all its YTD losses, the PSEi may consolidate as it approaches another resistance level. The lack of catalysts, as well as risks such as rising inflation and a weaker peso may also put the brakes on what was a blistering rally that allowed our stock market to catch up with its ASEAN peers.

Inflation figures bear watching as analysts and economists are now divided on whether inflation is transitory or sticky. As we wrote in our Philequity Corner article this week, some fund managers are concerned that rising energy prices and massive stimulus are going to lead to persistently higher inflation. On the other hand, some think the spike in demand is temporary so inflation should eventually normalize next year.

Domestically, BSP Governor Ben Diokno believes that high inflation will be transitory, thus rate hikes are not yet warranted. He added that "the harm from early monetary tightening exceeds the harm of moving too late". While this may cause the peso to remain weak, this is a positive for economic growth.

With no catalysts in the near term, we will be waiting for corporate earnings releases next month. For now, we remain on hold.





TRADING STRATEGY



After the clear and decisive move beyond the 7000 level, the PSEi is ripe for a consolidation. We remain constructive on the market as cases continue to drop, which allows for a safer reopening of the economy. For now, we are on hold as we monitor various significant events.

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.