

# Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

## 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

As expected, the PSEi is entering a consolidation after its decisive break above the 7000 level. Unfortunately, despite US markets making new highs, our index ended the week at 7054 as heavy foreign selling returned. On Friday alone, the PSEi shed 1.4% on PhP 1.2 billion in net foreign selling.

With oil prices remaining stubbornly high, different sectors and even presidential candidates are proposing a myriad of solutions. These range from cutting excise taxes on fuel, distributing subsidies for PUV drivers, raising fares, as well as increasing PUV seating capacity to 100%. For a few weeks now, the Philippines has successfully shrugged off inflation risk despite being a net oil importing country. This recent correction may be a sign that investors are finally getting a reality check.

On the economic front, we note that loan growth is picking up and is up 2.7% YoY and 0.6% MoM in September. However, we want to highlight that while loans for productive activities are up 4.4% YoY, household loans are down 7.8% YoY. This reflects the damage COVID has wrought on household balance sheets and is indicative of sluggish consumption growth in the near term. Inflation will only serve to exacerbate this.

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

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



As we said in last week's article, the PSEi is ripe for a consolidation. This is unfolding as the index ended the week close to the 7000 support level. In the absence of near term catalysts, we will remain on hold for now.