MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS, STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICAL COURSE AT THE STATE OF THE STATE O

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

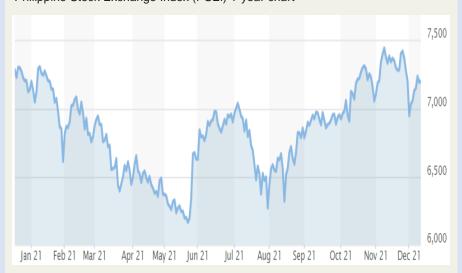
Initial data regarding the spread of Omicron in different countries is a mixed bag. The bad news is that it has significantly higher transmissibility than Delta. In South Africa, it just took 2 weeks for it to replace Delta as the prevalent variant. In the UK, Omicron cases are doubling every 3 days. Moreover, 2 vaccines doses do not seem to do much in preventing symptomatic COVID for this variant.

The good news is that it seems to have very mild symptoms and does not lead to long hospital stays. It also seems to have a muted impact on the young and unvaccinated. The lethality also seems to be significantly lower than Delta. This may be a sign that COVID-19 is evolving into something more like the common flu - more transmissible, but less lethal.

While this may be a blessing in disguise in the long term if COVID does become like the flu, the situation still remains quite uncertain as we are still not sure about how new variants will mutate as well as Omicron's impact when it reaches the Philippines.

We note that while US equity indices have recovered all their loses from the initial Omicron drop, many other stock markets continue to languish in a volatile range, including the Philippines. Since we are positive on the long term prospects of Philippine stocks, we are mostly invested. However, we recognize that there may be knee jerk reactions to Omicron or other bad news such as inflation overshoots, so we are keeping some cash on the side to buy on dips.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Recent data on Omicron indicates lower lethality but higher transmissibility than Delta. As investors await more data, the PSEi continues to consolidate between 7000 and 7400. We remain cautious for now.

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.