

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 7000 FOLLOWED BY 6500, RESISTANCE AT 7400 FOLLOWED BY 7700

Last week, the PSEi rose 2%, making back most of the correction caused by the initial news on Russia's aggression towards Ukraine. This is still part of a volatile consolidation that is borne of geopolitical uncertainty.

This is remarkably better performance than that of developed markets which have fallen for 2 straight weeks and are deeply in the red on a YTD basis. We note that Southeast Asia has performed significantly better than developed markets and their North Asian peers, which explains the resilience of the PSEi.

Combined with the specter of rising interest rates, we expect markets to remain weak and volatile. The Fed meeting on March 16 will be closely watched by the investment community as this where the Fed may signal both the start and pace of the tightening cycle. While there is a fixed date for the Fed meeting, no one knows when President Vladimir Putin will invade Ukraine, or if at all. This high degree of uncertainty will cap any rally in equity prices until a resolution is reached.

While dips may be a chance to buy, we will do so selectively. In the absence of very attractive opportunities, we will remain on the sidelines.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



The PSEi continues its volatile consolidation as war brews in Europe. Russia continues to amass soldiers as Western powers call out its aggressive behavior. We remain on the sidelines for now.