

# 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 6800 FOLLOWED BY 6500, RESISTANCE AT 7000 FOLLOWED BY 7400

After briefly falling below 7000 and even reaching a recent intraday low of 6638, the PSEi managed to keep its head above the crucial 7000 support level. This was helped by the stabilization of Asian markets as well as the sharp bounce back off US equity indices.

The Fed's rate hike decision also seems to be largely priced in by equity investors, although it has caused emerging markets to become quite tentative. Bonds continue to decline as the pace of interest rate hikes seems to be a bit faster than what the markets have anticipated. This also puts pressure on EM stocks and currencies if the interest rate differential between the US and their country continues to narrow. For instance, the US may have raised rates at three times in 1H22 while the Philippine benchmark rate remains unchanged.

On the geopolitical front, we are not seeing further escalation in the Russia-Ukraine conflict. We hope that things further stabilize from here as the resulting commodity price surge is particularly damaging to consumption-driven and commodity-importing countries like the Philippines. Though oil and agricultural prices have pulled back lately, they are still quite elevated relative to last year. We maintain our cautious stance.

Philippine Stock Exchange Index (PSEi) 1-year chart



## TRADING STRATEGY



The PSEi managed to stay above the 7000 level as Asian and US markets stabilized last week. The geopolitical situation remains volatile and unpredictable, but it seems that there was no escalation recently. We remain cautious as commodity prices remain elevated.