

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 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

US equity indices have fallen for 4 straight weeks and have pierced major support levels. Sharp rallies proved to be short-lived and eventually gave way to grinding corrections. Weak earnings from heavyweight big tech companies such as Amazon, Google, Apple and Netflix exacerbated the drop. In fact, the Nasdaq Composite has officially entered bear market territory as it lost 13.4% in April - its worst monthly performance since October 2008.

With plunges in US equities eclipsing those brought about by COVID, it is difficult for other markets to stand on solid ground. The PSEi's major support level of 7000 was finally breached last week. In technical analysis, if a support level is broken, it then becomes a resistance level.

When interest rates and inflation rise faster than expected at the same time, historical data shows that equities always exhibit higher volatility with a downward bias. Recent market moves confirm that this time is NOT different. We maintain our cautious stance.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Precipitous drops in US equity indices dragged down stock markets around the world. We do not expect the PSEi to remain immune to moves of this magnitude. We maintain our cautious stance.