

Vantage Point

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

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

The volatility which characterized markets heading into yearend continues even as we enter the new year. Initial bullishness from China's reopening led to strong rallies to start the year. However, Fed minutes which came out on Thursday night showed that the Fed is adamant in keeping interest rates higher for longer.

What is concerning is the Fed's seeming frustration with high equity prices as they view this as something that complicates their fight against inflation. As long as the Fed maintains this stance, it will be hard for equities to break out of this volatile consolidation. A significant correction is also possible if Fed Chairman Jerome Powell talks down the stock market.

Fortunately, the PSEi is showing relative strength. In the 1st week of 2023, the index gained 1.55%. Still, we are not inclined to chase rallies. While we will use dips as an opportunity to buy, we will be more selective in this environment.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Bullishness from China's reopening was sapped by hawkish Fed minutes, resulting in significant swings for equities last week. We maintain our neutral stance as the Fed seems adamant in keeping rates tighter for longer.