

Vantage Point

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

MARKET OUTLOOK: CAUTIOUS

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

TECHNICALS: SUPPORT AT 5700 FOLLOWED BY 5400, RESISTANCE AT 6000 FOLLOWED BY 6200

As we noted in our previous article, although local institutions seem to be selling, we saw significant foreign inflows. This propelled the PSEi above the 6000 resistance level and stay above it at the end of the week despite volatility from a rebalancing exercise. Many stocks were also trading very close to their 2020 lows, which likely prompted bottom fishing from more nimble foreign funds.

Also helping our cause is the stabilization of the Philippine peso despite further weakness from our North Asian neighbors. Most notable of which are the Japanese yen which at 150/\$ is trading at 32-year lows and the Chinese renminbi's offshore fixing which hit a record low on Friday. Statements from both BSP Governor Felipe Medalla and President Ferdinand Marcos, Jr. about preventing further depreciation of the peso, combined with market intervention, have helped keep the peso below the 59/\$ level.

Still, Fed officials are adamant about raising interest rates, with some of them remarking that "it is a mistake" to think inflation has peaked. Until such point that the Fed shows signs of pivoting or pausing, the US dollar will likely maintain its might.

Because of these macro headwinds and lower trading volume, we expect the wild swings we saw in the past weeks to continue. While these may provide trading opportunities, these are only for the nimble. Else, it may be better to have an asset allocation that will allow you to sleep soundly through all the twists and turns of the market.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



After hitting support of 5700, the PSEi finally managed to break above the 6000 level on the back of net foreign buying. Though we are not yet out of the woods, continuous foreign buying will help our stock market finally stabilize and form a bottom. Still, we remain cautious as the risks which triggered this correction have yet to fully play out.