

Technical Analysis: The Phillip 20

June Monthly Review



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Singapore | TECHNICAL ANALYSIS | UPDATE

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- New Entries: China SunSine, Japfa, DBS, Haw Par, Singtel, CityDev and Wing Tai
- Stop Loss: Memtech Intl, DBS, Wing Tai, Chip Eng Seng, Singtel, Frencken and Jardine C&C
- Take Profit: Japfa
- Total return since May 17 to June 18 is +2.28%
- Bullish rejection off the 3200 psychological support with oversold RSI mean reversion suggests a rebound next for the STI

"The Phillip 20" is a portfolio of our top technical stock picks on SGX.

The "Phillip 20 portfolio" performance

- June monthly return: +1.80%
- Total return since May 17: +2.28%

June was yet another sluggish month that was overshadowed by the rising trade tensions between the US and China and the recent US dollar strength. STI extended the loss for the second month as it fell -4.65%. Globally, the overall sentiment was also greatly affected by the resurgence of the trade tensions, especially China where the Shanghai Composite Index tumbled -8.00% in June.

The trade tension heated up again in June after the US administration announced that a 25% tariff would be imposed on \$50 billion China imports that involve significant technologies. China also responded immediately with a similar 25% tariff on \$50 billion US goods.

At the height of the dispute, US raised the stakes by stating a possibility of restricting foreign investment into the US, mainly targeted at China.

After this latest round of tariffs announced in June, the US has doubled down again and revealed a list of \$200 billion of Chinese goods subject to an additional 10% tariff. The market reacted negatively initially when the news surfaced on 11 July. However, the recovery came quickly suggesting the market was once again overreacting to the negative trade war news. Keep in mind this new proposal for an additional tariff on \$200 billion Chinese imports will not be final until after two months of public comment period. In other words, the decision on the amount of tariffs and list of items will only be finalised after August 30. Thus, in the meantime, looking at the current recovery price action suggests the market is expecting further positive negotiation between the US and China to find a win-win outcome.

From the Year to Date (YTD) high of 3641 points (2 May) to the YTD low of 3176 points (6 June), the STI has fallen as much as -12%. Despite the immediate trend turning bearish, we expect a near-term rebound to take place. As mentioned in the "[Chart of the Week](#)" on 2 July, there is a chance for the STI to test the 3200 psychological support area if the hammer rejection fails to sustain. Indeed, with the lack of bullish follow through after the last update, the bearish momentum gathered speed and broke below the 3200 psychological round number violently on 6 July as it hit a yearly low of 3176 points.

That sharp selloff of -2% on 6 July was caused by the new cooling measures in the property market. The Singapore government announced that it is increasing additional buyer's stamp duty (ABSD) and tightening the loan-to-valuation (LTV) limits for residential property purchases to cool the local property market and keep prices in-line with economic fundamentals. Nonetheless, the selloff appeared to be exaggerated as the STI recovered ground the following day and closed back above the important 3200 psychological support area. The subsequent bullish follow-through has also signalled further sign of strength and suggests the bearish break below the 3200 psychological support to be a false bearish break.

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Figure 1: STI Daily Chart – 3200 psychological support holding up



Source: Bloomberg, PSR

Red line = 20 period moving average, Blue line = 60 period moving average, Green line = 200 period moving average

Keep in mind the Relative Strength Index (RSI) has been oversold since 14 June as it hit an extreme low of 23 on 25 June. With the recent strong bullish rejection off the 3200 psychological support area, the RSI has also risen back above the 30 oversold region signals the start of a mean reversion higher next. For this rebound, expect the STI to test the 3341 resistance area next followed by 3462. There was also a bullish break above the immediate downtrend line signals further sign of strength.

The 3200 psychological round number to 3190 support area will be critical in keeping the long-term uptrend in the STI intact.

Overall, the performance of the “Phillip 20 Portfolio” did well in June and managed to weather through the storm. The “Phillip 20 Portfolio” was up +1.80% as compared to the STI of -4.65%. The positive performance was mainly propped up by BreadTalk and Sinostar Pec.

New Entries

The huge swing in the general market sentiment has also allowed us to identify a few buying opportunities. We have added the following seven stocks into the “Phillip 20 Portfolio” in June.

Figure 2: new entries in June

The Phillip 20 Portfolio - June new entries as of 13 July							
Company Name	Ticker	L	Entry Date	Entry price	Stop Loss	Last price	Current gain/loss (%)
CHINA SUNSINE	CH8	Long	1-Jun-18	1.550	1.410	1.420	-8.39%
JAPFA	UD2	Long	5-Jun-18	0.580	0.505	0.675	16.38%
DBS	D05	Long	6-Jun-18	29.140	27.840	26.210	-10.05%
HAW PAR	H02	Long	8-Jun-18	13.690	12.810	12.790	-6.57%
SINGTEL	Z74	Long	12-Jun-18	3.260	3.150	3.270	0.31%
CITYDEV	C09	Long	19-Jun-17	11.320	10.560	9.700	-14.31%
WING TAI	W05	Long	28-Jun-18	1.970	1.870	2.010	2.03%

Source: Bloomberg, PSR

Losers

In total, seven trades were stopped out in June due to the overall negative sentiment. As a result, the “Phillip 20 Portfolio” booked a realized loss of -3.41%. Figure 3 shows the trades that were stopped out.

Winner

We have also decided to close out our position in [Japfa](#) on [27 June](#) due to the bearish price action. The trade in Japfa netted a return of +0.34% to the “Phillip 20 Portfolio.”

Figure 3: realised winners/losses in June

The Phillip 20 Portfolio - Realised P&L for June 2018							
Company Name	Ticker	L	Entry Date	Entry price	Exit date	Exit Price	P&L
MEMTECH INTL	BOL	Long	10-May-18	1.330	12-Jun-18	1.190	-10.53%
DBS	D05	Long	6-Jun-18	29.140	18-Jun-18	27.840	-4.46%
WING TAI	W05	Long	15-May-18	2.160	18-Jun-18	1.960	-9.26%
CHIP ENG SENG	C29	Long	12-Dec-17	0.945	18-Jun-18	0.880	-6.88%
SINGTEL	Z74	Long	12-Jun-18	3.260	21-Jun-18	3.150	-3.37%
FRENCKEN	E28	Long	20-Jul-17	0.525	26-Jun-18	0.445	-15.24%
Jardine C&C	C07	Long	14-May-18	34.200	29-Jun-18	31.590	-7.63%
JAPFA	UD2	Long	5-Jun-18	0.580	27-Jun-18	0.620	6.90%

Source: Bloomberg, PSR

Watchlist

After a major reshuffling of the portfolio, there are currently 15 stocks within the “Phillip 20 Portfolio.” The following is the revised watch list that we are closely monitoring:

- Banyan Tree
- CSE Global
- China Sunsine
- DairyFarm USD
- DBS
- Hi-P
- HMI
- Hong Leong Fin
- IFAST
- JB Foods
- Man oriental USD
- Moya Asia
- OCBC
- SATS
- Sheng Siong
- Tianjin ZX USD
- Tuan Sing
- United Engineers
- UnUsUal
- UOB
- UMS
- UOL
- United Engineers
- Wing Tai
- Yongnam
- Y Venture

Figure 4: Monthly performance

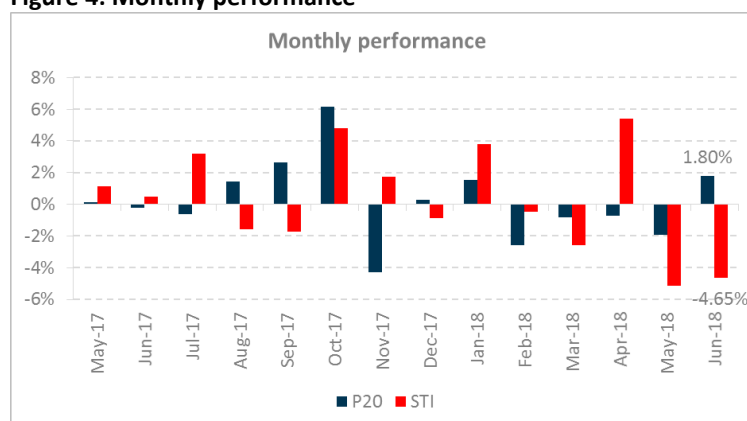
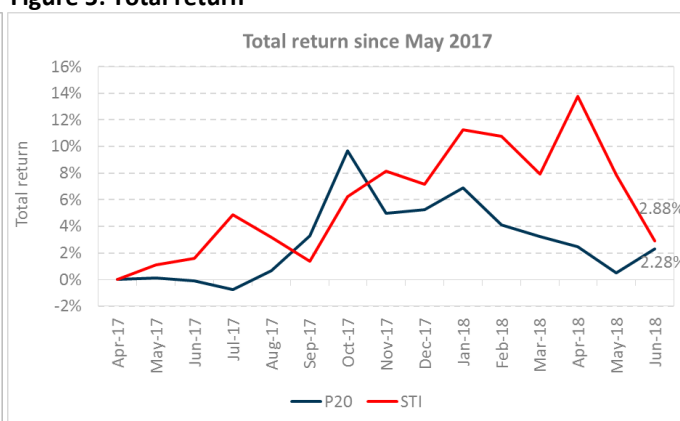


Figure 5: Total return



The Phillip 20 Portfolio - Our top technical picks as of 29 June 2018

Company Name	Ticker	L	Entry Date	Entry price	Stop Loss	Last price	Current gain/loss (%)
800 SUPER	5TG	Long	13-Feb-18	1.110	0.990	1.060	-4.50%
ALLIED TECH	A13	Long	27-Apr-18	0.049	0.041	0.051	4.08%
BREADTALK	5DA	Long	2-Nov-17	0.823	0.735	1.190	44.68%
CITYDEV	C09	Long	19-Jun-17	11.320	10.560	10.930	-3.45%
COMFORTDELGRO	C52	Long	9-May-18	2.280	1.950	2.350	3.07%
CHINA SUNSINE	CH8	Long	1-Jun-18	1.550	1.410	1.550	0.00%
CHINA EVERBRIGHT	U9E	Long	2-May-18	0.430	0.385	0.400	-6.98%
GEO ENERGY RES	RE4	Long	17-May-18	0.240	0.205	0.215	-10.42%
GENTING SING	G13	Long	9-Apr-18	1.160	0.990	1.220	5.17%
HAW PAR	H02	Long	8-Jun-18	13.690	12.810	13.420	-1.97%
JB FOODS	BEW	Long	10-Apr-18	0.590	0.490	0.590	0.00%
OCBC	O39	Long	9-Feb-18	12.360	11.430	11.640	-5.83%
SINGPOST	S08	Long	13-Mar-18	1.400	1.210	1.260	-10.00%
SINOSTAR PEC	C9Q	Long	28-Nov-17	0.194	0.149	0.205	5.67%
WING TAI	W05	Long	28-Jun-18	1.970	1.870	1.990	1.02%

Monthly Phillip 20 performance update

- [May 17 performance](#)
- [June 17 performance](#)
- [July 17 Performance](#)
- [August 17 Performance](#)
- [September 17 Performance](#)
- [October 17 Performance](#)
- [November 17 Performance](#)
- [December 17 Performance](#)
- [January 18 Performance](#)
- [February 18 Performance](#)
- [March 18 Performance](#)
- [April 18 Performance](#)
- [May 18 Performance](#)

**Take profit will be updated accordingly in the future technical pulse report

Note: The "Phillip 20 Portfolio" is an actively managed portfolio that utilises technical analysis for selecting stocks. We have capped the amount of stocks to 20 for the portfolio, and each trade is equally weighted at 5% of the initial capital.

Inception date is the start of May 2017 with an initial capital of \$100,000.

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