



# Vantage *point*

**MARKET OUTLOOK: LONG TERM BULLISH, SHORT TERM NEUTRAL  
STRATEGY:**

**OVERWEIGHT CONSUMER FOOD AND POWER SECTOR  
UNDERWEIGHT TELCO SECTOR**

After dropping precipitously in the past weeks, global equities are now in a recovery phase, with some indices gaining as much as 10% since the bottom. However, with more Ebola cases being reported, especially a recent case in New York, we expect fear and volatility to persist.

Last week, the BSP kept interest rates on hold, citing subdued inflation moving forward. This is a marked departure from their language in previous months, when they said that they are ready to take action against rising inflation. With commodity prices remaining low, especially for oil and agricultural products, not only will the BSP have more room to maneuver, but GDP growth may also surprise on the upside.

Another significant policy change of the BSP is the increase in the collateral requirement for loans and the higher capital requirement for banks. This may reduce appetite for property purchases and, consequently, also affect loan growth. We are carefully watching the impact of these BSP regulations on property and banking stocks. In the short term though, we expect this to be a headwind. Thus, although we are buyers on pullbacks, we remain to be selective, especially with 3Q14 earnings coming up.



## TRADING STRATEGY

Source: Technistock



The index staged a strong rally in the past trading days, rising 3% from the low. Although volatility will remain, we will use this as an opportunity to accumulate stocks we like on pullbacks. While support for the index lies at 7,000, 3Q14 earnings will determine whether this level holds or not.

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