



Vantage *point*

MARKET OUTLOOK: BULLISH

STRATEGY: OVERWEIGHT CONSUMER FOOD AND POWER SECTOR

UNDERWEIGHT TELCO SECTOR

NEUTRAL BANKING AND PROPERTY SECTOR

The Dow Jones continues its V-shaped recovery and is now up 10.8% from the low it set in the middle of October. In fact, it continues to make new highs on the back of strong employment figures. Not only is this a sharp contrast from the bearishness in October, but it also goes to show that the US economy is strong enough to stand on its own without QE.

In previous presentations, we said that if China rises, it will bring the rest of Asia up with it, including the Philippines. Now, despite all the bearishness in the beginning of the year, China is up 15% YTD. Economic data is showing signs of stabilization and it appears that it will avoid a hard landing. In fact, it is even hosting the APEC summit this week.

The spotlight will now be on 3Q14 earnings. Many companies have started reporting, with those beating estimates rising commensurately (PGOLD) while those that had earnings below forecast (TEL) underperformed. While we remain bullish in the market, especially given its seasonal strength at this time of the year, recent movements in individual stocks shows that stock picking is still crucial.



TRADING STRATEGY

Source: Technistock

Despite weakness in TEL, the biggest index component, support of 7,200 for the PSEi is still holding. Bullishness in foreign markets continues to carry the index higher. We continue to be buyers on pullbacks of our top stock picks.



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