



Vantage *point*

MARKET OUTLOOK: BULLISH

STRATEGY: OVERWEIGHT CONSUMER FOOD AND POWER SECTORS

US and European equity indices have been very volatile this year because of a number of headwinds. In the US front, the energy sector of its equity indices has a tendency to drag down the whole US market whenever oil falls sharply. The upcoming rate hike in the middle of the year will also lead to higher volatility in the months to come. Europe, on the other is grappling with deflation, a risk of a recession, as well as the possibility of Greece's exit from the EU. Commodities have also fallen in tandem with oil. Copper slipped 7% in less than a day as WTI oil price hit \$44/barrel.

While all these factors should normally have caused equities to correct or be very volatile, they have actually worked in the Philippines favor. Against a backdrop of slow global growth, deflation, and recessions in some parts of the world, the Philippines stands out. A curse to the petro-states, low oil prices have also been a blessing to us. Our strong OFW remittances and BPO revenues have also helped bolster our economic growth.

This stark differentiation between the Philippines and other nations is what has resulted in the PSEi's 4% YTD performance in just 8 trading days. YTD inflows have already amounted to PhP 14.1 billion, a sign of the strong interest in Philippine stocks. With the PSEi now convincingly breaking the previous high, our technical analyst forecasts the index to hit 7,900 to 8,000.



TRADING STRATEGY

Source: Technistock



The index has risen strongly to an all-time high even as the US fell last night. As we said in the past 2 weeks, we are buying stocks in sectors we favor, especially as many are on their way to all-time highs, if they haven't broken out already.

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