



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH

STRATEGY: INCREASE WEIGHTING IN INDEX COMPONENTS, ESPECIALLY THOSE IN THE MSCI

With the PSEi up 10% in just 3 months, it would be tempting to sell. However, if you look at other equity indices, such as China, Japan and Europe, they are up even much more than the Philippines. Clearly, the world is still in a global bull market.

It is not only the Philippines' fundamentals that are driving stocks higher, but demand for equities as well. The new wave of monetary easing has led to increased risk appetite, especially in countries that continue to cut interest rates.

Solid macroeconomic fundamentals coupled with equity flows may also lead to above-trend valuations for Philippine stocks, as we are seeing at present. Thus, even though the PSEi is no longer cheap, its valuations are rising for many reasons, the most important of which is low oil prices. While corrections are possible, as long as our country's fundamentals are intact, expect the PSEi to continue to make new highs.



Source: Technistock

TRADING STRATEGY



The PSEi has been up for 4 straight weeks already and has managed to remain above the 8,000-point level. While a correction is becoming increasingly likely, we will be using pullbacks as an opportunity to buy.

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