



# Vantage *point*

## MARKET OUTLOOK: CAUTIOUSLY BULLISH

Foreign selling reaccelerated last week, with Thursday seeing PhP 2.3 billion net foreign selling in one day. This brought our market to an intraday low of 7,689. This came on the back of below forecast GDP growth from the US and weakness in Indonesia, which dragged down the rest of ASEAN markets, including us. The recent executions in Indonesia may threaten its trading relations with Australia, hence the sharp drop of its stock market, which is already down more than 1% for the year.

However, with this drop, the PSEi is now trading at reasonable valuations. Note that at this level, the PSEi is already trading at 19.5x 2015 P/E and 17x 2016 P/E. This would make our index more attractive for institutions and funds who may be looking for an entry point. With some sectors facing significant headwinds (banking, utilities), we expect both foreign and local inflows to become more discriminating.

While weakness in the US and other Asian markets may affect sentiment here, corporate earnings in the coming weeks as well as our 1Q15 GDP growth figure on May 28 may determine the trend for our market and specific stocks moving forward.



Source: Technistock

## TRADING STRATEGY



Support of 7,800 was broken last week as foreign selling reaccelerated. While some stocks have remained relatively strong, some sectors, such as banking, have weakened significantly enough to drag the index down. While we are buyers on pullbacks, we will be selective.



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