



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH

Foreign outflows rose last week, with net foreign selling in excess of PhP 4 billion over the past 5 days (excluding CNPF block). Weakness pervaded equity indices not just in Asia, but in developed markets as well.

However, there were significant developments over the past few days. Last Friday, the US reported a "Goldilocks" job report, which was not too high to justify a rate hike soon, but not too low to threaten growth. This electrified US markets, which rose about 1.5% in just a day.

Over the weekend, China also cut interest rates by 25 bps, the 3rd time in 6 months. With economic growth slowing, China's central bank has stepped in to provide the economy its much needed stimulus. This was welcomed by investors who are confident in the Chinese government's to stabilize their economy. This should also bring the rest of Asia higher.

As for the PSEi, we expect it to be tentative until the 1Q15 GDP numbers come out on May 28. We are also realigning our portfolio based on earnings forecasts by reducing our weighting in stocks that report below forecast results. These earnings reports have caused some stocks to fall sharply, such as URC, and weigh down the PSEi.



Source: Technistock

TRADING STRATEGY



Foreign selling continues to cap the PSEi's rise as it ended the week below the 7,800 level. We expect the market to be tentative until 1Q15 GDP numbers come out on May 28. For now, we are adjusting our portfolio by moving out of companies that have below forecast results to companies which beat estimates or have significant catalysts moving forward.



2004-A, East Tower, Philippines Stock Exchange Bldg., Ortigas Center, Pasig City, 1605
 (+632) 689.80.80 (+632) 706.07.95 sales@philequity.net www.philequity.net

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Depositor Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.