



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: REVERT TO STOCK PICKING
REDUCE INDEX WEIGHTING

Global macro continues to cause sharp market gyrations, with Greece and China grabbing the headlines. The EU summit held over the weekend failed to produce a definitive agreement on a bailout package for Greece. Instead, proposals for a "temporary" 5-year Greek exit from the Euro have been floated. This, despite the fact that Greek PM Alexis Tsipras' latest proposal has measures harsher than those thumbed down during the last referendum.

While a potential Grexit will have a limited impact on the Philippine economy, the cause for concern comes from its implications, such as other countries deciding to exit or worse, the eventual break-up of the Eurozone.

However, despite the stalemate in Greek negotiations, markets today are higher. This means that equities are showing signs of resiliency. It also shows that Europe is ready for a Grexit and the contagion is not expected to be as bad as it would have been years ago. Germany's stance on the matter shows that this situation is different and that they know what to do. This readiness for a Grexit gives us confidence.

Last week was just as topsy-turvy for China, with the market experiencing intraday swings greater than 5%. The government implemented a slew of extraordinary measures to prevent a full blown stock market crash, including a trading suspension of more than half of listed stocks and a ban on share sales by major shareholders. We wrote about these 12 measures extensively in the Philequity Corner article "A Classic Case of Greed and Fear" that came out today. These eventually stabilized the market, which is up 15% from the low as of this writing. What is clear here is that the Chinese government will do everything in its power to stabilize the stock market.

On a broader perspective, we are also faced with a global slowdown both in Europe and China. With Fed Chairman Janet Yellen practically convinced that she should raise rates within the year, some parties have expressed concern that this may affect the global economy as well as stocks and currencies.



TRADING STRATEGY

Source: Bloomberg



Events in Greece and China have led to higher volatility across all asset classes. It is no different for the PSEI which continues to consolidate at the support level. Although we maintain a cautious stance, we are starting to nibble in the market. The resiliency of equities despite what is happening in Greece and China gives us confidence.



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