



# Vantage *point*

## MARKET OUTLOOK: NEUTRAL

**STRATEGY:** OVERWEIGHT ON CONGLOMERATES WITH INFRASTRUCTURE AND PROPERTY EXPOSURE AND 2<sup>ND</sup> LINERS WITH GOOD GROWTH CATALYSTS AND INFRA EXPOSURE

With more earnings reports coming out, it looks like results are a mixed bag. A number of companies also missed forecasts by a wide margin, prompting sharp corrections. Regulatory risks is also weighing on some listed companies, which is affecting sentiment for the mining and gaming sector.

With the PSEi rising 30% from the low and nearly reaching the all-time high of 8,137, valuations have become quite pricey. Large share placements from AEV and GTCAP have also sapped demand for Philippine stocks. Thus, we are experiencing a correction which is coinciding with the statistically weak ghost month.

With many companies already reporting earnings, investors will be waiting for the 2Q16 GDP growth figure which will be announced on August 18. This may affect the direction of the market if it is significantly above or below forecast.

With index stocks trading at rich valuations and some stocks missing estimates, we have set aside a portion of the portfolio for 2nd liners with reasonable valuations and good growth prospects.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

## TRADING STRATEGY



Large share placements and lackluster earnings during the statistically weak month of August have caused the PSEi to correct. With valuations still quite high, we have reduced weightings for companies which failed to meet forecasts and allocated a portion of our portfolio to 2nd liners with good growth prospects

 **PhilEquity**

 (+63 2) 689 8080

 ask@philequity.net

 www.philequity.net