



Vantage *point*

MARKET OUTLOOK: NEUTRAL

STRATEGY: OVERWEIGHT ON CONGLOMERATES WITH INFRASTRUCTURE AND PROPERTY EXPOSURE AND 2ND LINERS WITH GOOD GROWTH CATALYSTS

Last week, our country's 2Q16 GDP growth figure came in at 7%, higher than the Bloomberg median estimate of 6.6% and 1Q16 GDP growth of 6.8%. Though GDP growth came above forecast, the PSE Index was flattish on a week-on-week basis, tracking the move of global markets. Moreover, our stock market continues to trade at the upper end of the valuation range. Considering the lackluster 2Q16 earnings of some index constituents, it may take a strong positive surprise or a strong upmove globally for the index to make new highs.

This week, attention shifts back to the Fed and its policy direction. Over the weekend, Fed Vice Chairman Stanley Fischer said that the US economy is close to meeting the Fed's goals and that growth will pick up. His statement caused the US dollar to strengthen against its major counterparts. This week, we will pay close attention to Fed Chair Janet Yellen's speech to decipher how the Fed will move next.

With index stocks trading at rich valuations and some stocks missing earnings 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



With valuations still quite high, we remain neutral and on hold with regards to the major components of the PSE Index. We have started to allocate a portion of our portfolio to non-index stocks and 2nd liners which trade at reasonable valuations and have good growth prospects.

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