



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY POSITIVE
STRATEGY: SELECTIVE BUYING ON CONSUMER AND
INFRASTRUCTURE STOCKS

After a stellar January performance, the PSEi lagged behind its Asian peers in February. Despite strength in the US, Europe and other Asian stock markets, the PSEi ended February down 0.24%.

Foreign flows have also continued with the Philippines seeing PhP 2.5 billion in foreign outflows last week alone. So far this year, PhP 6.4 billion in foreign funds have left the Philippine equity market.

The peso also underperformed significantly. Despite a pause in dollar strength which lifted emerging market currencies as a group, the Philippine peso is down 1.4% for the year. Though market expectations have adjusted closer to the Fed's forecasts, the Fed's statement next week may have an impact on rate hike expectations. This could lead to more currency volatility. Thus, the peso's movement bears watching because it may have a negative effect on equity prices.

A weakening peso and mixed earnings reports have resulted in a directionless market. Recently, negative coverage on extrajudicial killings have resumed, both on the foreign front and locally. The US will also be reporting non-farm payrolls on Friday, which could have an impact on Fed policy. Because of these, the market has become quite cautious.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Despite strength in the US stock market, the PSEi continues to meander at the 7,200 level. Mixed earnings, a weakening peso and political noise are weighing on the market, hence the cautiousness of investors.