

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS, STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

The PSEi continues to consolidate in a narrow range as foreign selling continues unabated. In fact, monthend window dressing had the opposite effect as the PSEI fell 1.8% last Friday. While official data shows that net foreign selling of only PhP 300M on that day, this includes the AREIT follow-on offering. If you exclude the foreign tranche of that transaction, net foreign selling actually amounted to PhP 1.2 billion.

This indicates that whenever foreign funds rebalance, they are choosing to reduce their Philippine exposure. This does not bode well for our stock market especially ahead of MSCI rebalancing next week.

Earnings are also mixed, but what is notable is how stocks are no longer reacting to good news. For example, despite better than expected earnings from MBT and URC, performance was lackluster - MBT only made up Friday's losses while URC was even down 3.6% on Monday. Combined with value turnover that continues to decrease, these indicate potential weakness in the near term.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Net foreign selling continues to put on a ceiling on the PSEi. More worrisome is the ever decreasing value turnover, which was below PhP 4 billion Monday and is already at its lowest point for the year. With no near term catalyst, we are likely to continue to see foreign selling for the rest of the month.