

Vantage Point

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

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

The PSEi continues its strong upmove. It ended the week at 6863 - a 10.8% move over 5 straight weeks. The PSEi is following the strength of the US stock market which has already erased half of its bear market losses.

With inflation peaking, it means that most of the monetary tightening may be behind us already. Both the Fed and BSP indicated that the pace of interest rate hikes is going to slow down from here. It is this notion that has fuelled the bull run. If this proves to be true and no recession comes to pass, then we may well have seen the bottom of the PSEi on June 23.

Still, we note significant economic weakness in Europe and China. The US is also showing pockets of recession in some sectors, such as housing. If the recession is just shallow, then we believe than any correction will be shallow as well. The main risk to our view is a deep and prolonged recession. We are closely monitoring economic figures not just in the Philippines, but in the US, Europe and China as well. These are crucial to determining the overall direction of the stock market.

With many stocks now trading at resistance levels, investors do not need to rush their purchases. Those who still have cash available may use dips to increase their equity exposure.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



The PSEi continues its recovery and is on its 5th straight week of gains. Peaking inflation coupled with a strong recovery in the US stock market lifted our index higher. Since we are already at resistance levels, a correction is possible. Still, we would be selective buyers on dips.