

Vantage Point

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

MARKET OUTLOOK: CAUTIOUS

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

TECHNICALS: SUPPORT AT 5700 FOLLOWED BY 5400, RESISTANCE AT 6000 FOLLOWED BY 6200

Just as we expected, bad just got worse. After losing 5% in the 3rd week of September, the PSEi lost another 8% to end the month of September. Foreign selling also accelerated - it now amounts to PhP 3.9B over 2 weeks ex-blocks.

In just 2 weeks, the PSEi cut through major support level after major support level. At 5741, it lies just above the 2nd to the last major support level. Though some technical indicators are pointing towards an oversold bounce, we note that the broad trend indicates that stock prices are still in a downtrend. The 6000 support level is now a resistance.

Bonds have also sold off significantly, but have since recovered some lost ground as BoE intervention in their own gilts had a halo effect across the bond complex. The US dollar also weakened in the past 2 days, allowing the peso to appreciate by 0.6% against the US dollar on Friday. We hope this trend continues.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Higher terminal interest rates for the US led to weakness not just for equity prices but for currencies as well. In fact, the Philippine peso has hit new record lows. In this light, we are reviewing our outlook and reverting to a cautious stance.