

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 6800 FOLLOWED BY 7000, RESISTANCE AT 7000 FOLLOWED BY 7200

In our previous article, we noted that the PSEi is showing relative strength. This not only continued but got amplified, with the PSEi rising another 4.25%. It ended the week at 6951 on the back of heavy foreign buying. It remains to be seen if the formidable 7000 resistance level can be broken on the first attempt. Nevertheless, this ascent is an indication of strength for Philippine stocks.

Helping the PSEi's trek higher is strength in developed markets. We note that hawkish statements from Fed officials did not cause a significant correction in US stocks. Europe is also recovering as energy prices have fallen back to pre-war levels. Dollar weakness also allowed our peso to end the week below the 55/\$ level. All these global macro factors have finally turned in the Philippines' favor, hence the 5.9% YTD return. This makes the Philippines the 3rd best performing Asian stock market and best performing ASEAN market YTD.

That said, we are still wary of a potentially deep recession in developed markets later in the year. Still, recent signs are encouraging and we hope that this sets the tone for the rest of the year.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Rising on bad news is good news. Despite hawkish Fed talk, inflation coming in line was enough to stabilize US equity markets and send them higher. With China and HK markets also rising, the PSEi rose sharply last week and up 5.9% for the year. Investors may use this opportunity to assess their portfolio composition.