

**Philequity Corner (April 16, 2012)**  
**By Valentino Sy**

**Hold on to your winners**

Since the start of the year, our overall theme has been to stay long Philippine stocks. In fact, we have written a number of articles about this and have given commemorative shirts with PSEi 5000 printed in front and the words “STAY THE COURSE” at the back.

Those who have stayed long Philippine stocks have been greatly rewarded with huge gains. So far this year, the PSE index continues to outperform the benchmark S&P 500 index, up 16.6 percent year-to-date vs. the latter’s 9.0 percent gain. The PSE index also has outperformed most of Asia-Pacific indices and major US and European indices.

**Market Performance (%Year-to-date)**

Asia Pacific	Index	Last Price	% Change Year-to-Date
Philippines	PSEi	5,097.30	16.6%
Thailand	SET	1,169.50	14.1%
Japan	Nikkei 225	9,638.00	14.0%
Singapore	STI	2,987.80	12.9%
Hong Kong	Hang Seng	20,701.00	12.3%
India	SENSEX	17,094.50	10.6%
Taiwan	TWSE Index	7,788.30	10.1%
South Korea	KOSPI	2,008.90	10.0%
Indonesia	JCI	4,159.30	8.8%
China	Shanghai Comp	2,359.20	7.3%
Australia	ASX 200	4,403.80	7.1%
Malaysia	KLCI	1,603.10	4.7%

US/Europe	Index	Last Price	% Change Year-to-Date
US	Nasdaq Comp	3,011.30	15.6%
Germany	DAX	6,583.90	11.6%
US	S&P 500	1,370.30	9.0%
US	DJIA	12,849.60	5.2%
Switzerland	SMI Index	6,072.10	2.3%
UK	FTSE	5,651.80	1.4%
France	CAC 40	3,189.10	0.9%
Canada	TSX Comp	12,040.40	0.7%
Italy	MIB Index	14,359.50	-4.8%
Spain	IBEX 35	7,250.60	-15.4%

Source: Bloomberg, Philequity Research

**Climbing a wall of worry**

Markets and stocks do not go up in a straight line. Even in bull markets, where upside momentum is strong, an extended swing often necessitate normal albeit temporary corrections. In fact, these corrections and pullbacks that happen in a bull trend are healthy developments. In technical analysis lingo, these so-called zig-zag moves upward in a bull market are akin to “climbing a wall of worry.”

Despite the strong move since October 2011, a lot of investors are still finding plenty of reasons to doubt the current rally. Stocks in the US fell for the second straight week in the face of disappointing growth data from China and renewed concerns regarding the debt crisis in Europe.

This followed investor disappointment the prior week over the likely absence of additional stimulus from the Fed and the less optimistic US jobs data in March. Add to these the political concerns stemming from the anticipation of North Korea’s missile test and its ultimate failure which added to the jitters especially throughout the region.

**Correction mode**

Since reaching a high of 1,422.38 last April 2, the benchmark S&P 500 index is already down 3.7 percent. A lot of technical analysts or chartists have been expecting this and have in fact turned bearish since March because of the so-called “rising wedge” pattern.

While short-term picture is corrective and appears to forebode some choppy trading over the next several days or

even weeks, over the longer-term we continue to believe that the markets are still headed higher. Near-term support for the S&P 500 index is at 1345 while a much stronger support level lies at 1275.



Source: [www.stockcharts.com](http://www.stockcharts.com)

#### **Earnings season kicks off**

Despite the March jobs data, the economic picture in the US continue to transition into a more sustainable recovery. Earnings season kicked off last week and Google reported strong results. Financial giants Wells Fargo and JP Morgan also reported results which exceeded expectations. Other major banks will post results this week. Overall, earnings results are expected to be good and this should be positive for stocks.

#### **PSEi correcting sideways**

The PSE index likewise is in corrective phase after reaching 5,145 in March 16. So far the pullback has just been sideways with the index giving back as much as 3 percent only when it touched 4,990 last April 10. And as of Friday's close of 5,097, it was only down 1 percent from its all-time high. If the index breaks below 5,000, the next support levels are 4,900, followed by 4,800.

Longer-term, we remain bullish on Philippine stocks. After this correction phase is over, we are looking for the index to target 5,300, and ultimately 6,000.

And as the old trading adage goes "sell your losers and hold on to your winners." So despite the normal pullbacks or corrections that the market typically undergoes, we advise investors to keep holding on to your winners. Hold and stay long Philippines stocks!

**\$PSEC (Philippines PSE Composite Index (EOD)) INDX**

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10-Apr-2012

Open 5037.29 High 5037.29 Low 4990.75 Close 5022.29 Chg -16.63 (-0.33%) ▼

\$PSEC (Daily) 5022.29



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