

Philequity Corner (February 18, 2013)
By Valentino Sy

Understanding the Current Bull Market – and How to Profit From It

Tomorrow, Philequity and Wealth Securities will be conducting a joint forum for our clients and investors at the PSE Auditorium in Tektite. In our presentation, we will go back in time to give you a historical perspective of critical events, both globally and locally. It is in identifying and understanding these historic and momentous moments that one will be able to understand the current bull market. Moreover, it is in understanding this current bull market and what makes it tick that one will have the conviction to ride it as the market moves higher and higher.

We are in a bull market

With the PSEi's steep run-up from 5,812 in end-2012 to 6,521 as of last Friday, there are many who think the market is too high or that it is poised for a severe correction. In many of our articles, we have said that the timing and depth of corrections are impossible to predict. Many traders who tried to do so end up getting whipsawed or are simply left behind by the market. For 5 straight weeks, we laid out our strong belief that we are in a bull market (see *Global Bull Market, 6000, The Run-up, Secular Bull Market, The Impressive Run-up Continues*, 2013 January 7 – February 4). Since we called the bottom in an article written nearly 4 years ago (*666 on 3-6-9, 13 April 2009*), the index has risen by 370% (see chart below). If we include the peso's appreciation since March 2009, the index is actually up 387% in dollar terms, nearly a 4-bagger. A strong start to 2013 along with our presentation, should be enough to convince everyone that, indeed, we are in a bull market and that this bull market should continue for years to come.

Philippine Stock Exchange index – March 2009 to present



Philequity Corner as a Strategy Piece for Everyone

The past 5 years have been very turbulent for stock markets around the world. From crisis to green shoots to yet another crisis, the entire investments world was left confused, with no one really knowing whether we would plunge into another bear market or hit new highs. It was a time when world leaders were unseated and central bankers became the gods who created this current bull market. We have written about the various events that rocked the US, Europe, China and even the Philippines. During our presentation tomorrow, we will be explaining to you how one could have navigated the rough seas and made money by just following our articles. We will be going through selected articles and you will be able to see how close to reality our predictions were. More importantly, you can be the judge of whether you would have made or lost money by following them.

10 Keywords

Speaking of predictions, we also wrote that “books will be published about this tumultuous and historic moment” (see *The Rescue*, 22 September 2008). Since then, numerous books and bestsellers have been written about the events that transpired since the US financial crisis, and we expect many more to be written about the bull market we are in now. To aid our investors in analyzing what has happened before and what is currently transpiring, we will highlight 10 keywords. With just these 10 keywords, you will be able to understand why we have this current bull market, why it continues to make its bull run and how you can profit from it.

Secular and Structural

In our presentation, the spotlight will be on the Philippines. We will explain why the Philippines is in a secular bull market that will go on for many years to come. We will also discuss the recent factors that propelled the market higher, as well as future catalysts like the investment grade rating. We will also show why the Philippine economy has moved from being cyclical to structural. Thus, the crises that happened to US and Europe were actually opportunities to increase exposure to Philippine stocks. However, while there are many other reasons to be bullish, there are risks that may derail our bull market which we also have to consider.

Charts Galore!

While text does a good job of describing an idea, we think that a picture, or in this case a chart, can paint a thousand words. Our presentation will be peppered with charts of various stock markets, selected equities, and even currencies. Our head of research, who is also one of the best technical analysts in the country, will explain to everyone the technical implications of each chart. Chart patterns are very helpful in timing entry and exit, so while fundamental analysis is indispensable in stock-picking, correct technical analysis will be able to boost returns significantly. For instance, we will show where we think the PSEi and Philippine peso (see below) are headed. Chartists out there are sure to enjoy this portion of our presentation.

Php 40/\$ - Hold or break?



Tomorrow, we will present how the peso is faring against the Euro, US dollar, Japanese yen, Indian rupee, and even gold. We will discuss the strength of the peso. Should the BSP declare that 40 pesos to the dollar is the line in the sand and the ultimate bottom? Should our central bank make their last stand at 40? Should the BSP pronounce that anything beyond 40 is counterproductive? Should BSP join the global currency wars?

Looking Forward - New Year, New Target, New Picks

Our previous target for the index was 6,800. However, in light of the PSEi's strong move in January, we are inclined to upgrade our target. We will also present our stock picks for 2013. Feng shui played no part in our choice of companies to invest in. Instead, we based our decision on the company's fundamentals and growth story. We will also show what sectors we think will outperform this year and the reasons behind it. After that, we will be having an open forum where you can ask any of the analysts and fund managers more specific questions about the presentation or anything related to the stock market.

Again, tomorrow's briefing will start at 3:30PM at the PSE Auditorium in Tektite. Because of the overwhelming response of clients who want to attend this presentation and due to limited space, the briefing is limited to investors of Philequity, clients of Wealth Securities and registered guests.

For further stock market research and to view our previous articles, please visit our online trading platform at www.wealthsec.com or call 634-5038. Our archived articles can also be viewed at www.philequity.net.