



# Vantage *point*

**MARKET OUTLOOK: BULLISH**

**STRATEGY:**

**OVERWEIGHT CONSUMER FOOD, POWER AND BANKING SECTOR**

**UNDERWEIGHT TELCO SECTOR**

This past week has proven to be a very volatile one. Protests in Hong Kong over universal suffrage has roiled both its economy and stock market, with the Hang Seng index dropping more than 4% in 3 days. In Indonesia, Parliament voted to scrap direct elections, threatening Prime Minister-elect Joko Widodo's ability to institute reforms. Launched by the losing opposition party, this brought back fears that political reform in Indonesia is taking a step backward. The Jakarta Composite index dropped nearly 3% in 1 day.

Developed markets were not spared either. The S&P 500 and Dow Jones have lost more than 2% this week as strong economic data increased the probability of interest rates being raised sooner rather than later. Small cap and momentum stocks were battered even more as traders shifted to defensive stocks. European indices lost as much as 3% last night as ECB President Mario Draghi ruled out an aggressive QE program in the near term. Investors were hoping for more aggressive actions from the central bank as the Eurozone economy weakened.

Although global markets have been volatile, differentiation is crucial. Note how the problems discussed above are isolated to particular countries. Thus, if equity indices with no underlying problems also correct as a result of these, it actually creates a buying opportunity. The Philippine peso has likewise stabilized after hitting resistance of 45. Since the Philippines does not have problems of these magnitude, we continue to recommend buying on pullbacks.



Source: Technistock

## TRADING STRATEGY

Support at 7,150-7,200 is still holding despite weakness in both developed and emerging markets. However, we recommend stock picking over buying the broad market. We have identified support levels of the stocks we like and we are buyers as prices approach these levels. We should also be watchful of the peso as sharp moves can start to affect equities.



2004-A, East Tower, Philippines Stock Exchange Bldg., Ortigas Center, Pasig City, 1605  
 (+632) 689.80.80 (+632) 706.07.95 sales@philequity.net www.philequity.net

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Depositor Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.