



Vantage *point*

MARKET OUTLOOK: BULLISH

STRATEGY: OVERWEIGHT CONSUMER FOOD AND POWER SECTOR

UNDERWEIGHT TELCO SECTOR

NEUTRAL BANKING SECTOR

As the US prepares to exit QE, Japan just decide to increase its own QE program. On October 31, the Bank of Japan announced that it is expanding its program to 80 trillion yen per year, or a monetary base expansion of \$712 BILLION!!! This electrified Japanese equities, with its index advancing more than 4% last Friday.

Japan's massive QE program also spooked short sellers, sending the Dow Jones and S&P to new highs. Other equity indices around the world have also followed through with a V-shaped recovery, rising sharply from the lows. This comes as a sharp contrast to the bearishness pervading markets in October.

On Thursday, all eyes will be on ECB President Mario Draghi as he hosts a press conference on his next moves to prop up the Eurozone economy. If he announces more aggressive policy action, expect the market's up move to be aggressive as well.

With the dollar strengthening and the yen weakening, our peso will likewise weaken as well. However, the drop in commodity prices, especially oil, will likely offset any inflationary impact of a weaker peso.

Companies are starting to come out with 3Q14 earnings. Although we expect the PSEi to move higher from here, we advise against indiscriminate buying. Instead, we continue to recommend buying stocks with above forecast earnings and staying away from those that have weak earnings and questionable fundamentals.



Source: Technistock

TRADING STRATEGY

After going as low as 6,896 three weeks ago, the PSEi is now less than 200 points away from its all-time high. With the US markets hitting all-time highs on the back of Japan's announcement of a fresh and massive QE program, expect our index to move higher as well. We continue to increase our exposure to our top stock picks.



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

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