



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUSLY BULLISH

**STRATEGY:** OVERWEIGHT CONSUMER FOOD AND POWER SECTORS

UNDERWEIGHT TELCO SECTOR

NEUTRAL BANKING AND PROPERTY SECTORS

The PSEi ended 2014 on a strong note, closing higher by 22.8%. This is the index's 6th straight year of positive return and we expect this to continue in 2015. However, 2015 will be characterized by one main theme - low oil prices. While this is beneficial to the Philippines, we expect this to cause significant volatility across all asset classes.

It is also a high likelihood that the US will be raising interest rates towards the middle of the year. Anticipation of this rate hike, coupled with very strong GDP numbers reported in December, will result in the dollar marching higher this year, to the detriment of most other currencies, including the peso.

We expect low oil prices to benefit both the economy and corporate earnings as a whole. A positive GDP surprise, if it happens, may boost our stock market significantly. Note that 2016 is an election year, so domestic consumption may pick in the latter half of the year. We also expect inflation to remain benign. This positive macroeconomic backdrop, which was further improved by low oil prices, is the main reason behind our bullishness in the Philippine market.



## TRADING STRATEGY

Source: Technistock



The start of the year is a historically strong period for stocks as pent up flows enter the stock market. In the short term, it looks like the index will remain range bound. However, there will be outperformers that may break out before the market does. We are bullish for 2015 and continue to be buyers of our stock picks either on pullbacks or on breakouts.

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