



Vantage *point*

MARKET OUTLOOK: BULLISH

**STRATEGY: OVERWEIGHT CONSUMER FOOD
OVERWEIGHT POWER**

As expected, 2015 has proven to be a very volatile year. US indices have swung between gains and losses, ending Friday down nearly 1% YTD. This is on the back of sharp swings in oil prices as well as turbulence in the Euro region.

As for Europe, it had a bright spot last week when ECB President Mario Draghi declared a 1 trillion euro QE program. This sent markets sharply higher the day after the announcement. However, the prospect of a Greek exit has reared its ugly head once again when the anti-EU party, Syriza, won in the recent Greek elections. This may lead to significant market volatility, similar to what happened in 2012.

While the stock markets in other countries are meandering, the bull case for the Philippines is so much clearer, with investors piling into Philippine stocks. In fact, Bloomberg reported that the PSEi reported \$500M in inflows YTD, while Indonesia, Malaysia and Thailand booked an average of \$370M of outflows. This is a sign of strong foreign interest in the Philippines, the #1 beneficiary of low oil prices.

Another notable event is the move in the peso. While the euro is plunging to new lows, the peso is actually appreciating versus the dollar. Despite dollar strength, the peso has strengthened from above 45 to just shy of the 44 level. This 2% move last week is even stronger than that of the stock market! This is even more significant because it shows the bullishness not just in Philippine stocks, but the currency as well. This is similar to what is happening in India, which is also making new highs.

However, this bullishness is tempered by the sheer number of share placements this year, amounting to \$700M. While these are the primary source of foreign inflows YTD, too many in such a short span of time will sap liquidity from the rest of the market. If it were not for these share placements, the PSEi will actually be at much higher levels. Eventually, the market needs to digest these placements before making new highs.



TRADING STRATEGY

Source: Technistock



The index continues to hold above the 7,400 level on heavy foreign buying despite a multitude of share placement. We continue to accumulate our stock picks, especially on sharp pullbacks brought about by placements.

PhilEquity

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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