



# Vantage *point*

**MARKET OUTLOOK: CAUTIOUSLY BULLISH**

**STRATEGY: OVERWEIGHT ON CONSUMER FOOD, POWER SECTOR**

**UNDERWEIGHT ON TELCO SECTOR**

The much-awaited correction of the PSEi is finally here. This is happening in consonance with corrections in other markets. However, we would like to caution that it is too early to say if this correction will be deep or prolonged.

Note also that the correction happened after the seasonally strong Halloween to Valentine's time period, during which the Philippines saw net foreign inflows of P60.5 BILLION! MSCI rebalancing also came to an end, which may account for lesser foreign inflows in the short term.

Over the weekend, China's central bank cut rates by 25 bps. While it remains to be seen if this is enough to lift China's economy, this brings to fore the fact that most major central banks have an accommodative monetary policy stance, which is good for equities. With Europe, China and Japan doing what they can to kick off growth in their economies, we may see an improvement in global growth, which is currently weak and uneven.

That said, we remain bullish in the long term prospects of Philippine stocks. One has to be picky though, as the mixed earnings reports have shown (ex. mixed earnings and price performance within the consumer sector). Now that the easy money has been made, one has to be more selective even when buying on pullbacks.



## TRADING STRATEGY

The index finally staged a correction after MSCI rebalancing concluded. Although strong support for the index lies at 7,400, we will be buying stocks at their respective support levels.