



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH

STRATEGY: OVERWEIGHT CONSUMER FOOD AND POWER SECTORS
UNDERWEIGHT TELCO SECTOR

Last week, both the Dow Jones and S&P 500 gave up all their gains for the year as strong US economic data may lead to policy tightening sooner rather than later. This has caused the dollar to rally sharply in the past 2 weeks. However, corrections in other markets have been muted so far, thus, it remains to be seen if the sharp drops in the US will lead to similar moves here.

The other significant event is the 10% drop in crude oil prices last week. Increasing inventories in the US, a bearish statement from the IEA regarding supply, as well as calls for the lifting of the US export ban have weighed on WTI prices, and especially Brent. As of this writing, crude oil prices remain above the recent low set earlier in the year.

The steep plunge of oil price adds to our bullishness in the Philippine market. If oil stays at an average price of \$50/barrel for the year, our GDP growth above 7% is a distinct possibility. It also allows the BSP to keep rates on hold as inflation remains benign. Thus, we maintain our bullish outlook and view this weakness as a healthy part of the market's consolidation.



TRADING STRATEGY

Source: Technistock



The PSEi continues to retest the recent highs even as US markets experienced sharp losses. Given the steepness of the run-up early in the year, corrections are possible. We will then be using these pullbacks as opportunities to buy, especially when our top picks approach their respective support levels.



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