



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUS

**STRATEGY:** OVERWEIGHT INDEX COMPONENTS

The PSEi finally had its first significant correction this year, falling as much as 3% in 3 days. There are many factors that could have triggered this. China's weak GDP growth was one, as well as the increasing likelihood of a Greek default. Weakness in US and European markets also weighed on investor sentiment.

Note also that the PSEi rallied nearly 12% this year without any significant correction, leaving its ASEAN neighbors in the dust. With the Philippines outperforming them by nearly double YTD, its premium valuation relative to other ASEAN countries was also put in the spotlight.

In addition, net foreign buying reversed to net foreign selling. The past 7 days saw consecutive days of foreign selling, amounting to PhP 6.2 billion as of last Friday. This heavy profit-taking eventually caused the index to correct.

That said, with our country's fundamentals intact, we will still be buying on pullbacks. However, we will be selective not only in choosing what to buy, but when to buy.



Source: Technistock

## TRADING STRATEGY



Continuous foreign selling and weakness in global markets weighed on the PSEi last week. Initial support lies at 7,800. If broken, next support lies at 7,400-7,500. We are waiting to buy stocks selectively at their respective support levels.

**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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