



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH STRATEGY:

Despite PhP 7 billion worth of foreign selling in less than 2 weeks, the index is still up 9.9% YTD. Foreign selling over the past week has also slowed down. Thus, despite its correction, the PSEi is still the clear outperformer in the ASEAN.

With no leads from foreign markets, all eyes will now be on corporate earnings and 1Q15 GDP growth. Banks have started to disclose earnings, while other corporates will be doing so in the coming weeks. Note though that there is a concern over "too big to fail" banks having insufficient capital. Thus, large banks which have yet to raise capital may come under pressure. Fortunately, indications for corporate earnings are broadly positive so far, primarily because of the sharp drop in oil prices. The drop in oil will likewise have an impact on 1Q15 GDP growth. If this figure comes in way above forecast on May 28, a strong move is likely.

Note that the 8%, 6-week rally in the PSEi at the start of the year was due to indiscriminate foreign buying, which flowed particularly into index stocks. Now that it has abated, the focus will now be on fundamentals and stock picking. With fundamentals still intact, we remain confident in the PSEi's long term trajectory.



Source: Technistock

TRADING STRATEGY



Despite heavy foreign selling and lack of leads from foreign markets, support of 7,800 remains unbroken. While it looks like the index may consolidate at these levels for a while, it is nonetheless a sign of resilience. Although a correction or prolonged consolidation is likely, our long term view remains intact and we remain long the Philippine market.



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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