



Vantage *point*

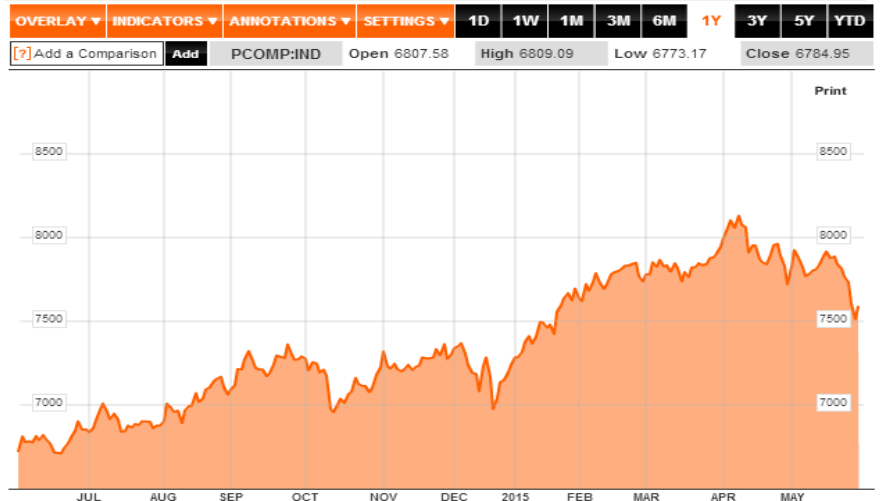
MARKET OUTLOOK: CAUTIOUSLY BULLISH

The much awaited 1Q15 GDP figure turned out to be a big disappointment. As a result, the PSEi had one of its biggest 1-day losses this year, falling as much as 130 points in just one day as it coincided with MSCI rebalancing. Coming in at 5.2%, it was significantly below consensus estimates of 6.6% due to slower than expected government spending and weakness in exports which resulted in a trade deficit.

This disappointing GDP growth comes after lackluster earnings reports. These 2 factors resulted in a 6-day, 5% drop in the PSEi, the biggest correction so far this year. However, we believe that the disappointment may be in the price and that it actually opens up a buying opportunity.

BSP Governor Amando Tetangco, Jr. said that while "1Q15 GDP growth was modest, there are developments on the ground that should boost economic performance moving forward." It is important to note that the DBM had already released more than 90% of the programmed budget for 2015, so we can expect government spending to pick up in the coming quarters. An election year also bodes well for both infrastructure and consumer spending.

That said, we are not buying across the board. We will be buying companies that have a good chance of beating earnings forecasts in the coming quarters as well as stocks that are now trading at compelling valuations.



TRADING STRATEGY

Source: Bloomberg



With the PSEi dropping sharply on disappointing 1Q15 GDP, many buying opportunities have emerged. Note also that the 7,400 support level was not broken despite heavy foreign selling. Thus, we have started buying stocks which we expect to have above forecast earnings over the coming quarters.



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