



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH
STRATEGY: REVERT TO STOCK PICKING
REDUCE INDEX WEIGHTING

Markets continue to gyrate as the likelihood of a Greek default increased. Last minute meetings this week will be held to stave this off and hopefully calm both equity and bond markets.

Last week, Fed Chairman Janet Yellen also took the opportunity to assure investors that interest rates will remain low "for quite some time" despite a rate hike this year. This had a positive impact on the US and other equity indices.

Unfortunately, China did not participate in this recovery. With some foreign investment houses saying that the Shanghai market is in bubble territory, the index fell 13% last week, its biggest weekly drop since 2008. While other Asian indices have shrugged this off, continued weakness in China may drag down other Asian markets, including the Philippines

Amidst all this uncertainty, the market is trying to find direction. Despite heavy foreign selling, it has still managed to stay above the 7,400 level. Note also that last Friday registered the first net foreign buying day this month. Whether this signals the end of foreign outflows or just a pause, we will be closely watching it.



TRADING STRATEGY

Source: Bloomberg



Despite a very choppy week, the PSEi managed to close above 7,600. While pullbacks can be used as an opportunity to buy, one should be selective and cautious.



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