



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: REDUCE INDEX WEIGHTING
REVERT TO STOCK PICKING

Despite polls showing the "Yes" vote with a slight lead, the result of the Greek referendum was a resounding "No" with 61% of the vote vs. 39% for "Yes." While this is not a referendum on Euro membership, it is a clear refusal of the troika's bailout proposal, which puts future aid packages in peril. There are also fears that this may ultimately lead to Greece's exit from the Euro.

On top of Greek worries, we are also closely monitoring China's stock market, which is in bear market territory after falling 30% from the high this year. A slowdown with growth coupled with the unwinding of excessive margin trading have weighed on the Shanghai Composite. Given that it is the biggest component of the emerging markets index, this may have an impact on other member countries, including the Philippines.

On the bright side, we are starting to see days with net foreign buying. Although this is not yet a trend, we are closely monitoring the direction of foreign flows. As for Greece, Philippine trade exposure is practically zero and only 1.4% of remittances come from that country. The impact on our stock market is largely a product of negative sentiment and de-risking.

We also note that there are numerous corporate buybacks and outright purchases by major shareholders, a contrast to the avalanche of share placements at the start of the year. This goes to show that this correction is viewed by these groups as opportunities to buy.



TRADING STRATEGY

Source: Technistock



With the result of the Greek referendum now in, we expect market volatility to persist. We remain to be cautious buyers on pullbacks. The index is currently trading at the 7,400 to 7,500 support range. Next support lies at 7,270, the intraday low set this year.



a 2004-A, East Tower, Philippines Stock Exchange Bldg., Ortigas Center, Pasig City, 1605
t (+632) 689.80.80 **f** (+632) 706.07.95 **e** sales@philequity.net **w** www.philequity.net

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