



Vantage *point*

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

Markets continue to be volatile as the Greek drama unfolds. In a surprise move, Greek leaders suddenly decided to hold a referendum, even as negotiations with creditors were ongoing. Note that the country's current bailout package with the IMF is set to expire on Tuesday. The referendum, which will be held on July 5, will determine whether the country will agree to its creditor's demands for financial reform and austerity. This puts a monkey wrench on the country's negotiations with its creditors, further increasing uncertainty over the Greek debt debacle.

Meanwhile, the People's Bank of China (PBOC) cut its benchmark lending rates by 25 bps, the fourth reduction since November. The move aims to counter a slowdown in the country's economy amidst a downturn in its stock market. Note that the Chinese stock market is down 19% in the past two weeks as concerns on elevated levels of margin trading for equities spooked the markets.

The Philippine market continues to consolidate and seek direction because of the unfolding drama in the international front. We shall monitor these events closely.



TRADING STRATEGY

Source: Technistock



We continue to maintain a cautious stance given the recent market volatility and uncertainties in the international front. We are now reverting to stock picking and reducing our index weighting in favor of companies which have above forecast earnings and good growth prospects.



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