



Vantage *point*

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

China's official PMI fell to 50 in July from 50.2 in June. The reading was also below the median estimate of 50.1. This points to a factory slowdown and a possible economic slowdown in China, which may affect global growth and global markets.

The US dollar has also continued to strengthen and most other currencies, including the peso, to weaken. The peso is now trading at the 45.5 to 46 range, which is something that we have to monitor.

On the political front, Interior and Local Gov't Secretary Mar Roxas was endorsed by President Aquino last week as the administration standard bearer for the 2016 presidential elections. Markets are eagerly waiting whether Senator Grace Poe will join the fray, as her candidacy should materially affect how the presidential race will shape up. So far only Roxas and Vice President Binay have formally declared their candidacies. The uncertainty regarding next year's elections may further contribute to the tentativeness in the market.

2Q15 earnings are also coming in, with preliminary results from some banks and power companies coming in slightly weaker than expected. More earnings results should come out this week and these will be the focus of the market. We shall monitor these results closely and trade accordingly.



TRADING STRATEGY

Source: Technistock

We continue to maintain a cautious stance on the market in light of global volatility and local uncertainty. We continue to monitor 2Q15 earnings and how this will affect the market. We shall focus on companies that can deliver better-than-expected earnings in this type of an environment. We also have to wait for 2Q15 GDP, which comes out in August 28. Note that lower-than-expected 1Q15 GDP growth was one of the reasons why our market corrected sharply from the all-time high that was seen earlier this year.



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