



# Vantage *point*

**MARKET OUTLOOK: BULLISH  
STRATEGY: BUY INDEX STOCKS AND COMPANIES  
WITH STRONG CATALYSTS**

The 7th birthday of our current bull market proved to be a celebration. Last week, the PSEi not only erased all its YTD losses, but it also ended the week above 7,000. With the Telstra deal with SMC dead in the water, we saw strong moves in TEL and GLO which brought the index straight to 7,200.

This strong up move in the Philippines can be seen in other emerging market equity indices as well. Moreover, EM currencies have also strengthened, aided by weakness in the dollar. As of this writing, the peso is trading below 46.50/\$, now up 1% YTD.

Oil, another barometer for stocks, has also risen 40% from its lows and continues to hold on to its gains. With volatility in that asset class dying down, another risk for equities has been lifted.

Last week, our Supreme Court decided to allow Grace Poe to run. This was welcomed by investors, with the market rallying more than 1% from the low on the day the SC's decision was released. This is not surprising, considering the results of a mock poll held during the ACI convention. The association of bankers and treasury executives who were polled showed support for a Roxas, Duterte or Poe presidency. The same result was also seen during the FMAP's mock poll, where participants account for 40% of the PSEi's value turnover. Clearly, these fund managers are talking with their money.

Though a correction is likely now that we are at a strong resistance level of 7,200, the strong ascent of equities is very encouraging and further reinforces our view that a crucial bottom has been reached at 6,084.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bloomberg

## TRADING STRATEGY



The PSEi broke 7,000 with conviction and is now at the resistance of 7,200. We continue to remain long the market as we await dips to increase our exposure.



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