



# Vantage *point*

**MARKET OUTLOOK: NEUTRAL**  
**STRATEGY: NEUTRAL EQUITY OUTLOOK**

After bringing down the peso, nervousness and apprehension over the upcoming Presidential election is now weighing on equities. Despite significant dollar weakness, the peso has continued to weaken and is now above the 47 level. Combined with foreign outflows, we will see equities testing support levels.

As we wrote last week, the peso and our stock market are correlated. Moreover, the weakness we see in both asset classes is a reflection of how investors view the frontrunner in the current Presidential surveys. Many foreign research firms and news bureaus have expressed caution over a Duterte presidency. Given the many issues being levelled against him and the lack of a clear economic agenda, we expect volatility to remain high until such time that he can clarify his program of government.

Also watch out for stocks with weak 1Q16 earnings as this will give funds another reason to sell these names.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

## TRADING STRATEGY



The PSEi is testing the 7,000 level on the back of election jitters and concerns over a Duterte presidency. We lightened our equity exposure heading into elections.

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