



Vantage *point*

**MARKET OUTLOOK: NEUTRAL
STRATEGY: ON HOLD**

After rising as much as 8% after elections, the PSEi has since given up about half of its gains. High expectations for the new government have given way to uncertainty as an acceptable Cabinet has yet to be formed. Some appointees also appear to have a questionable track record or significant conflict of interest. The possible appointment of Communists to DOLE, DAR, DSWD and DENR also put a cloud over what was supposed to be a Cabinet acceptable to the business community.

The US dollar also reversed its recent weakness as Fed minutes indicated that a June rate hike is likely if economic data continues to improve. With the market not pricing in a rate hike that soon, a correction ensued. The peso is also retesting 47, a break of which can bring it to 48. Once again, uncertainty over Fed policy is roiling markets.

Taken together, these local and foreign developments weighed on our index which is now trading below the 7,300 level. With bullishness fading away, foreign buying has likewise reversed into foreign selling.

While we are positive on the long term prospects of our stock market, given these recent events, we lightened our equity exposure and remain on hold as we monitor the volatile domestic political environment and the uncertainty surrounding the Fed's policies.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



After having its strongest post-election rally since 1992, the PSEi has since corrected sharply. We took some profits and we are now monitoring local and foreign developments.

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