



Vantage *point*

**MARKET OUTLOOK: BULLISH
STRATEGY: INCREASED EXPOSURE TO STOCKS
WITH CLEAR CATALYSTS.**

Last week proved to be a very volatile one as MSCI rebalancing caused price dislocation across many different stocks. The M&A transactions among MPI, GTCAP, TEL, GLO and SMC also boosted share prices of all parties involved.

Note that the index has been dragged down in the previous year by TEL, an index heavyweight, and GLO. With these stocks recovering along with many index components making new highs, the index has been able to break strong resistance of 7,500.

Another catalyst for emerging markets, including the Philippines, is the weak jobs data in the US. The addition of 38,000 workers in May was the weakest since September 2010. With this shocker of a data release, the probability of a rate hike in June fell from 30% to 4% and July dropped from 60% to 27%.

As a result, the dollar weakened by 1.6% on Friday alone and emerging market currencies rallied yesterday, bringing their respective equities higher. Technical analysts will note how the charts of the different EM currencies changed drastically yesterday. For example, after threatening to break 47, the peso is now very close to 46. With dollar strength a key risk for EM equities, this weak data release will likely lead to a strong move in these assets.

We have closely watched Yellen's statements and the results of the Brexit referendum, though it is likely that June is now off the table. This should give EM assets more time to rally.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



After MSCI rebalancing, the PSEi marched higher as the dollar weakened on US data disappointment. We increased our exposure to stocks that have clear catalysts.

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