



Vantage *point*

MARKET OUTLOOK: NEUTRAL

STRATEGY: OVERWEIGHT ON CONGLOMERATES WITH INFRASTRUCTURE AND PROPERTY EXPOSURE AND 2ND LINERS WITH GOOD GROWTH CATALYSTS AND INFRA EXPOSURE

Volatility remained high in equity and currency markets last week after a flurry of data and central bank pronouncements. Two weeks ago, the Fed released a fairly hawkish statement, which was pointing towards a possible rate hike this year. Fed fund futures immediately priced in a possible rate hike within the year. This also sent the dollar higher.

However, 2Q16 GDP figures that came out at 1.2%, way below forecasts of 2.6%. With one of the conditions for the next rate hike now in jeopardy, the dollar weakened sharply and Fed fund futures reflected a more dovish stance.

In Japan, disappointment over current policy easing measures sent the yen to the 102 level as investors were expecting more than a higher amount of ETF buying.

Though valuations for the PSEi may seem quite steep, we note that Thailand and Indonesia are also on a run-up, so our stock market is not sticking out like a sore thumb. While the PSEi is up about 16.1% YTD, Thailand and Indonesia are up 17.5% and 16.7% respectively. This goes to show that foreign funds are flocking not just to the Philippines, but to TIP as a group. With the Philippines being both a safe haven and a growth story, we remain positive on the market. Thus, we have been buying 2nd liners with infrastructure exposure and good growth catalysts.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



We are positive on the market, but our bullishness is tempered by high valuations. However, foreign buying continues and our ASEAN neighbors are on a run-up as well. With the index still above the 8,000 level, we have been buying 2nd liners with infrastructure exposure and good growth catalysts.

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