



Vantage *point*

MARKET OUTLOOK: NEUTRAL
STRATEGY: DEFENSIVE STOCKS AND SECOND LINERS
WITH GOOD GROWTH PROSPECTS

The PSEi continues its plunge as investors lighten their equity exposure ahead of US elections and because of the President's anti-US rhetoric. Even though we had an abbreviated trading week, this double whammy exacerbated the nervousness in markets such that foreign selling still exceeded PHP 4 billion in just 3 days. The peso also remains stubbornly weak at the 48.50 level.

Corporate earnings, supposedly a catalyst for the market, have been quite lackluster, with some companies reporting results that were significantly below forecasts. These companies, such as MBT and GLO, experienced double digit percentage drops in their stock prices.

As we wrote last week, the surprise FBI investigation into Clinton's emails rattled markets, causing a sharp downturn. Fortunately, the FBI has now cleared Clinton of any criminal wrongdoing. This sent equity markets in the region higher.

Unfortunately for the Philippines, we are not participating in this rally. The President's incendiary anti-US rhetoric is amplifying the perceived political risk. Once again, we are red in a sea of green. In this uncertain environment, we are keeping a defensive portfolio with a relatively high cash level.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



Foreign selling accelerated as jitters over US elections take center stage. Recent anti-US statements by the President also further exacerbated the already nervous market environment. We remain on hold while maintaining a healthy cash level.

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