



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY POSITIVE
STRATEGY: SELECTIVE BUYING ON CONSUMER AND
INFRASTRUCTURE STOCKS

The peso's weakness continued last week as it hit lows not seen since 2006. It is important to note that despite most Asian currencies strengthening against the US dollar this year, the peso is one of a few that have weakened against the dollar. This currency weakness may negatively affect stock prices.

Corporate earnings were also mixed, hence the seeming lack of direction of the stock market. Some banks suffered from trading losses while the property sector is seeing a slowdown in topline growth.

Last week, it was also announced that PGOLD will be entering the PSEi at the expense of EMP. We expect it to have roughly 1.2% weight. This should attract a lot of local flows into the stock as index trackers and pseudo-index funds would now have to include PGOLD in their portfolio.

Last week still saw a continuation in outflows. With the currency weakening significantly as of late and no significant upside surprise in corporate earnings, we expect the market to remain range bound. Recent political events also contributed to the peso's weakness and made the stock market more cautious.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



The PSEi continues to consolidate as earnings reports come in. The mixed nature of the earnings reports as well as the peso's recent weakness has caused us to become more cautious.