



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUS  
**STRATEGY:** DEFENSIVE STOCKS

After 25 straight weeks of net foreign selling amounting to PhP 67 billion, the Philippine stock market was finally able to get a respite. Last week, foreign selling reversed into buying to the tune of PhP 1.4 billion. This led to a 3.2% rally for the PSEi, which ended the week above 7,700. Though we are now close to resistance of 7,800, this may indicate that we have reached bottom at 6,923.

These recent foreign inflows can be traced to China's fresh stimulus package which breathed life into the ASEAN region. Last week, all our ASEAN neighbors rallied, lifting us along with them.

Expectations of a 50 bps rate hike by the BSP next week have also caused the peso to strengthen, a boon for Philippine stocks. Aggressive action from the BSP will not only tame inflation, but also restore confidence in Philippine assets - stocks, bonds and the peso.

Corporate earnings have started coming in and we expect these to drive the market's movement. So far, some banks showed some improvement while cement companies remain unprofitable. Though the PSEi went below 16x P/E at the low, a significant pick-up in earnings growth is needed for the market to return to 20x P/E and higher.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



With foreign selling reversing into buying, the market staged a significant rally. We have started slowly and selectively nibbling in the market as we monitor developments here and abroad.

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