

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

MARKET OUTLOOK: NEUTRAL

STRATEGY: OVERWEIGHT SELECT BANKING STOCKS

TECHNICALS: SUPPORT AT 7500 FOLLOWED BY 7200, RESISTANCE AT 8200

US markets continue to outperform other countries by a wide margin despite being in the epicenter of the trade war. As we noted in previous report, even after pausing its upmove to record highs, European and Asian markets continue to lag behind its performance.

Unfortunately, the Philippines seems to be one of the weakest markets in the past few weeks. MSCI rebalancing, lower trading volumes and bad news from some index stocks has resulted in significant underperformance relative to its neighbors.

Good news on trade, like China's move to increase penalties for IP violations, lifted North Asian markets but failed to spark a rally for Philippine stocks. We also note that the victory of pro-democracy candidates in HK's district elections also triggered a rally in the Hang Seng and other Asian indices, yet the PSEi remains in the red.

The result of this selloff is that many stocks have become much cheaper. Thus, any sharp sell down in the wake of MSCI rebalancing may be an opportunity to buy stocks with good growth catalysts and above forecast earnings.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Despite the US staying close to record highs, the PSEi continues to languish below the 8000 level. Foreign outflows due to MSCI rebalancing are a dampener for equity prices. However, we will use exaggerated sell-downs as opportunities to buy.