

Vantage Point

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

MARKET OUTLOOK: CAUTIOUS

SECTOR PICKS: CONSUMER NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6000 FOLLOWED BY 5700, RESISTANCE AT 6200 FOLLOWED BY 6500

Recent statements by DOF Secretary Benjamin Diokno electrified both the Philippine peso and stock market. The Philippines stepped up its defense of the currency when he said the government is ready to dip further into its reserve buffers to prevent further depreciation. He was quoted as saying that they are ready to spend as much as \$10 billion to prevent the peso from going beyond 60/\$. More, Diokno said 55 is where he believes the peso should be.

This could not have come at a better time as the US\$ also weakened in the past few days. As of last Friday, the peso is at 57.87 - a 2% move in just 4 days. Since our stock market is correlated with the Philippine peso, further appreciation should help the PSEi stabilize and rally.

Note also that our market is fairly stable despite dismal corporate earnings from US technology heavyweights. However, we have to be wary of any potentially sharp correction in the US as it may also drag down other equity indices, including ours.

The next major events to watch are the Fed and BSP decisions in November. The actions and statements of the Fed will determine the direction for stocks, bonds and currencies moving forward.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



With the US dollar weakening and global markets bouncing back from their recent lows, the PSEi managed to hold above the 6000 level. A stabilizing or strengthening peso will help our stock market stabilize. Still, stocks remain very cheap. Patient investors may use this as an opportunity to increase equity exposure.