



Scenario (P/E)	PSEi Target Range	
BULL (20x)	7,700	8,000
BASE (18.9x, 5YR Ave.)	7,250	7,600
BEAR (15.75x, 10YR Ave.)	6,000	6,300

**2016 presents wide range of PSEi targets (Bull/Base/Bear): Possible Turnaround after 1Q/1H16**

- Perceived weak start in 1Q/1H16 before a possible turnaround assuming more certainty in external headwinds and positive local Presidential elections outcome and on-track/better company earnings growth vis-a-vis expectations.

**Strategy**

- **May the market force be with you.** Remember that the trend is your friend and for now the market downtrend since April 2015 remains intact. Do not anticipate a bottom but watch out for signs bottoming/turnaround signal or even a confirmation of the turnaround.
- **Selective Stock Picking.** Choose a company with a strong earnings growth story that will eventually attract institutional funds at attractive values. Knowing your fundamentals gives confidence to an investor amid a bear sentiment-driven market.
- **Employ Pyramid-Buy Strategy.** Funds must be invested in tranches, assigning larger fund allocation at lower prices thereby improving average cost. As a general reference, ideal supports for the PSEi are 6300, 6000 and 5700.
- **Consider risk reward ratio.** Position in a stock that will promise twice as much upside vs. downside. A good ratio is 2/3 or 67% upside to 1/3 or 33% downside, thereby mitigating any possible losses.



**We consider the current decline as a TEDDY BEAR.**

- While we think it is right to be concerned and stay cautious about the market, the Philippine growth story remains intact as is the bull run that is nearly going on its 7th year this March. Considering that sentiment is currently driving market movement, more volatility is expected and thus the investor would do well to wait for golden opportunities.



**Bull Run: Important Supports 6300, 6000, 5700.**

- Important technical supports for the uptrend are 6300, 6000 and 5700 low marked in the 2013 downturn. Note that 6000-6300 range coincide with our Bear Scenario for the PSEi based on historical P/Es.

**Where we could be in the cycle**

- We plotted out the Philippine Chart and think that we could be on the corrective wave (A-B-C) of Wave 5 which coincides with the corrective Wave 4 of the larger wave pattern.
- While this suggests further downside as a B (relief rally) - C (final correction) play out; Subsequently we perceive a Wave 5 to rally the PSEi initially to test previous high at 8136, and then new heights. We think this coincides with the Philippines growth story from demographic dividends, infrastructure spending and corporate expansion strategies.



**In the next pages we provide The DA Market 2016 matrix to help navigate through these volatile times.**

- Changes in stock prices YTD, vis-avis 52-week range
- EPS 2015 - 2017 forecasts
- Target Prices based on DA estimates, Consensus and historical-based P/E.

