

Monday, May 02, 2016

Charts Speak Louder than Words – Philippine Long Distance Telephone Co. (TEL)



- **Analysis:** TEL retreated further and now approaches the low at PHP1,675.
- **Trading Plan:** Sell on a breakdown or trade the range on the bounce. Resistance levels are at PHP1,800, PHP1,914, and PHP2,000 while support levels are at PHP1,675 and PHP1,500.

Minutes from the Morning Meeting

Expect the PSEi to continue testing the 7,100 to 7,150 levels this week, amid local election jitters and continued global market volatility, also seasonality suggests "sell in May and stay away". TEL will start off the earnings releases this week. Results would have to beat consensus estimates, in order to renew confidence in the market and justify its lofty valuations.

WHAT TO WATCH THIS WEEK:

- *Monday: SECB earnings (P1.83B est. NI for 1Q16)
- *Tuesday: TEL earnings (P8.261B NI est. for 1Q16), DNL earnings (P2.623B FY16 NI est.)
- *Wednesday: MPI (P2.535B NI est. for 1Q16) & ALI earnings (P0.31/sh. EPS est. for 1Q16)
- *Thursday: GLO earnings (P4.184B NI est. for 1Q16), PH CPI for April (1.2%YoY est. & 1.1% prior)
- *Friday: AP (P0.56/sh. EPS est. for 1Q16)& AEV earnings (P20.502B FY16 NI est.)

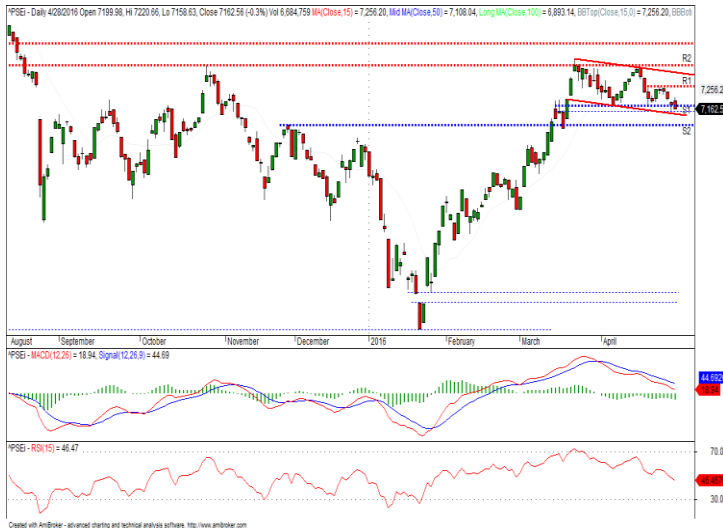
US ECONOMIC DATA:

- *Chicago PMI: 50.4 for April (vs. 52.6 est. & 53.6 prior)
- *Consumer Confidence: 89 (vs. 90 est. & 89.7 prior)
- *Personal Income: 0.4% in March (vs. 0.3% est. & 0.1% prior)
- *Personal Spending: 0.1% in March (vs. 0.2% est. & 0.2% prior)
- *Employment Cost Index: 0.6% in 1Q (vs. 0.6% est. & 0.5% prior)

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PSEi Technical Analysis



ANALYSIS:

SUPPORT: 7,065-7,150 RESISTANCE: 7,272-7,377

Moving Averages: ● 20 days ● 50 Days ● 100 Days

- Expect the PSEi to continue testing its next support zone from 7,065 to 7,150, after failing to hold above its support at 7,170 (S1) last week.
- Failure to rebound from the 7,150 level in the coming sessions (coupled with the 7,200 level becoming the markets new resistance), would further confirm its reversal and double top pattern, which could lead to a measured move target of 6,963 in the interim.
- MACD levels also continue to trend down, and would need to cross below the zero line in order to confirm a downtrend.

TRADING PLAN:

- Be aggressive on keeping stops on a close below 7,150, as this would further confirm a downward reversal.
- Counter trend traders may look to trade the downward channel range by buying closer to the market's support at 7,065 and selling closer to its resistance at 7,272 (R2).

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Dow Jones Technical Analysis



ANALYSIS:

SUPPORT: 17,500-17,800 RESISTANCE: 18,000-18,167

Moving Averages: ● 20 days ● 50 Days ● 100 Days

- Expect the Dow to continue testing its support at 17,774 (S1) this week, after closing just above it last Friday and rebounding from an intraday low at 17,652.
- However, indicators have yet to show improving signals, with both lines on the MACD now trending down, along with bearish divergences on the MACD, RSI & STS.
- The market would need to rebound from S1 and break above its previous support at 17,980 (now a resistance), in order to test its higher resistance at 18,000, as failure to hold above S1 would lead to a test of its lower support at 17,500 (S1).

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