



Vantage *point*

MARKET OUTLOOK: BULLISH
STRATEGY: OVERWEIGHT CONSUMER FOOD AND POWER SECTOR
UNDERWEIGHT TELCO SECTOR
NEUTRAL BANKING AND PROPERTY SECTOR

The Dow Jones experienced its worst week since November 2011, when it fell 3.8% last week. European equity markets were also down more than 2% as oil plunged to lows not seen since the world emerged from the Great Recession of 2008.

Last Friday, the International Energy Agency (IEA) lowered its crude oil demand forecast for 2015, adding further pressure to oil prices which are already reeling from Saudi price cuts and a strong dollar. The IEA also said that financial defaults are now likely, especially for oil-producing countries and energy-related companies.

While low oil prices are good for net oil-importing countries, its sharp plunge may be a signal that the world is entering into a recession or deflation. However, the main source of fear in markets right now is the possibility of corporate and sovereign defaults. In fact, the VIX index (also called the fear index - a measure of volatility) was up more than 90% last week. HYG, an ETF for high yield corporate bonds in the US, also dropped precipitously last week (chart). While we are bullish on the market, we remain cognizant of the risks that can bring the market down. A big corporate or sovereign default may cause a scare and send markets lower.



TRADING STRATEGY

Source: Bloomberg



After falling as much as 200 points, the PSEi ended last week flat. We expect this volatility to remain and we will continue to use pullbacks as opportunities to buy. We are accumulating our stock picks as they near their respective support levels.



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