



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH

STRATEGY: OVERWEIGHT CONSUMER FOOD AND POWER SECTORS

UNDERWEIGHT TELCO SECTOR

NEUTRAL BANKING AND PROPERTY SECTORS

Last week, US equity indices staged their strongest 3-day rally in 3 years as Federal Reserve Chairman Janet Yellen said that she will be "patient" in raising interest rates. The Dow index even went up by 420 points last Thursday, also the strongest 1-day move since 2011. Yellen continued to emphasize the data dependent nature of monetary policy normalization, saying that hitting their inflation target will prove to be difficult because of dropping oil prices.

The source of recent market volatility were worries about Russia's economic stability given the sharp drop in both oil prices and the ruble. Last week, Russia's central bank raised interest rates to 17% and also used their foreign exchange reserves to directly intervene in the market. So far, this has served to stabilize the ruble.

Because of events like this, volatility remains to be high. The PSEi fell nearly 400 points over 3 days before bouncing by 240 points from the bottom. With the latter part of December and the early part of January being historically periods for stocks, we view this pullbacks as opportunities to buy our stock picks for 2015. Unfortunately, our abbreviated trading schedule during this time may result in the PSEi not being able to fully participate in this rally.



TRADING STRATEGY

Source: Technistock



Last week was a very volatile one for the PSEi. Although it ended the week down only 100 points, the index experienced multiple 3-digit moves both to the upside and downside. However, with US markets approaching new highs, we remain bullish in the market and will continue to use pullbacks as opportunities to buy.

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