



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH

STRATEGY: **OVERWEIGHT** CONSUMER FOOD AND POWER SECTORS
UNDERWEIGHT TELCO SECTOR

After hitting new highs, US equity indices corrected sharply as unemployment dropped to 5.5% and the jobs report figure was above forecast. Given the strength of these economic data, many are now expecting US interest rates to be raised sooner rather than later. As a result, the Dow Jones index fell nearly 300 points last Friday.

Historically, policy tightening always leads to heightened volatility. However, we would like to note that if policy tightening is accompanied by economic growth, the market continues higher after it digests the first few rate hikes.

However, other countries are still maintaining an accommodative policy, which should support equity prices. This further highlights the clear, steady and stable growth of the Philippines which can afford to keep any policy change on hold.








Source: Technistock

TRADING STRATEGY



With the US falling the way it did last Friday, it is likely that the PSEi will follow suit. However, despite signs that the index is entering into a correction phase, it is still quite strong. We will be buying our top picks as they near their respective support levels.

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