



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH
STRATEGY: REVERT TO STOCK PICKING
REDUCE INDEX WEIGHTING

Volatility continues to wreak havoc across all asset classes. Foreign equity markets gyrated, with the Dow Jones index going up then down by 3 digits. The bond selloff continued as well.

Markets are now driven by a number of macroeconomic factors, with some experiencing localized risk, such as MERS in Korea and election results in Turkey. For one, Greece has gotten closer to default as the IMF walked away from the negotiation table. Second, interest rate normalization is also in progress both on expectations of higher rates and inflation starting to move higher.

However, the World Bank raised a cautionary flag when it released a report downgrading growth forecasts for emerging markets, saying that most of them will suffer from rising interest rates and low commodity prices. As a result, emerging market equity funds suffered \$9.8 billion in outflows last week, the biggest since 2008, for a total of \$26 billion in outflows YTD.

With the Philippines being part of the emerging market index, this points to weakness in stock prices, especially with the peso decisively breaking the PhP 45/\$ level. Risks abound on many fronts, so we will keep a cautious stance.



TRADING STRATEGY

Source: Bloomberg



The market fell below support briefly, but ended last week at the 7,500 level. With the peso weakening sharply, we have chosen to exercise caution in the meantime.

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