



# Vantage *point*

**MARKET OUTLOOK: CAUTIOUS**  
**STRATEGY: REDUCE INDEX WEIGHTING**  
**REVERT TO STOCK PICKING**

In last week's report, we highlighted the weakness in China's trade data. Just 2 days after that, in an effort to shore up their weakening economy, the People's Bank of China (PBOC) embarked on the sharpest yuan devaluation since 1994, sending it down nearly 4% in just 2 days.

This led to weakness across all Asian currencies, especially in those countries which export heavily to China. Although the peso showed relative strength, it still remains at 5-yr lows. Contagion ensued, with equity indices also falling, with some ASEAN indices already down more than 20% YTD in dollar terms. Thus, despite the Philippines being a net importer from China and having a healthier macroeconomic environment than its neighbors, it cannot stick out like a sore thumb. Therefore, expect the PSEi to follow suit, albeit to a lesser degree.

This contagion sweeping Asian FX and equity markets, combined with disappointing 2Q15 earnings reports, will lead to weakness in the market. We are exercising caution pending 2Q15 GDP figures.



## TRADING STRATEGY

Source: Technistock



With many companies releasing disappointing 2Q15 earnings results, expect the index to move lower. Combined with a weak peso and the sharp yuan devaluation, we remain very cautious on the market pending 2Q15 GDP figures.

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