



# Vantage *point*

**MARKET OUTLOOK: CAUTIOUS**  
**STRATEGY: INCREASE CASH LEVELS**

Last week, China reported the lowest manufacturing PMI since 2009, a sign that its growth slowdown continues to deteriorate. This worsened the contagion that brought Asian equities and currencies down with it. Currencies continue to plunge to lows not seen since the 1997 Asian Financial Crisis as equity markets in many countries entered bear markets. As of this writing, the Shanghai Composite is already down 8.4% for the day, wiping out YTD gains of as much as 60%. No asset class was spared, with commodities also falling to 2009 levels.

This contagion entered a new dimension as it spread to the US, the last bastion of stability. At the end of last week, the Dow Jones index was down 7.7% YTD. Even the Nasdaq ended the week down for the year.

Although sentiment has become quite negative already, unwinding across all asset classes will spur more outflows and bring the stock market lower.



## TRADING STRATEGY

Source: Technistock



With Asia as the epicenter, the contagion is now spreading to developed markets. Thus, it is prudent to reduce equity exposure.



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