



Vantage *point*

MARKET OUTLOOK: NEUTRAL
STRATEGY: HOLD AND CLOSELY MONITOR MARKET

Last week, we wrote about how the PSEi is off to a good start in 4Q, as well as how foreign selling seems to be abating. We also wrote about the biggest bullish one-day reversal in the US since 2011.

Another bullish sign materialized last week, and one far more important than those initially pointed out - the sharp appreciation in Asian currencies. In our note to you last week, we noted how the Indonesian rupiah strengthened by 9% in a week and how the Malaysian ringgit had a 1-day, 3.5% move. The peso likewise ended the week below 46, a bullish sign for equities.

More importantly, this may be a sign that the currency contagion - sparked by China's stock market crash and currency depreciation - has dissipated. Equity indices of our neighbors have also risen significantly in the past week. Although we still expect the market to remain in consolidation, it is likely that the bottom is now behind us.



TRADING STRATEGY

Source: Bloomberg



The PSEi rallied strongly off the lows as the currency contagion dissipated. With the worst possibly behind us, we started nibbling in the market.



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