



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH
STRATEGY: BUY SELECTED INDEX STOCKS

After breaking out of its 2-month trading range, the PSEi is once again in the red for the year as investors reduced risk due to the increasing likelihood of a December rate hike. The Federal Reserve's statement last week explicitly stated that they are studying economic data in the context of a rate hike within the year.

As a result, bond yields spiked and the dollar strengthened significantly, to the detriment of EM currencies, including the Philippine peso, which touched the 47 level last week. EM equities were likewise sold down.

Earlier Monday morning, China also reported October PMI at 49.8, below forecasts of 50 (a reading below 50 indicates a contraction). Although China's stock market has stabilized, this goes to show the depth and complexity of the problems its economy faces. We will continue to watch China as data from this country will have a significant impact on sentiment, especially in Asia.

Earnings season has also started. So far, results remain mixed, contributing to the tentativeness of the market.



TRADING STRATEGY

Source: Technistock



The likelihood of a December rate hike and weak China data have brought the PSEi back into its trading range. We expect volatility to remain and we continue to monitor corporate earnings here and economic developments abroad, especially in China.

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