



Vantage *point*

**MARKET OUTLOOK: NEUTRAL
STRATEGY: MONITOR UPCOMING FED MEETING ON
DECEMBER 16**

With market participants sitting on the sidelines as they await the first US interest rate hike since June 2006, trading volume has been light.

Unfortunately, the lack of liquidity exacerbated the slew of negative news last week, which resulted in sharp price drops across various asset classes. OPEC's decision to increase its production cap weighed on crude oil, sending it down more than 10% last week. This added more fuel to fears of a global slowdown.

Junk bonds also fell precipitously last Friday, with some hedge funds even suspending redemptions as liquidity dried up. The renminbi hit a 4 1/2-year low as China slowly depreciated its currency, sending ASEAN currencies lower.

The bearishness in the different asset classes - bonds, currencies and commodities - spilled over to equities. With no reason to buy ahead of a crucial Fed decision, selloffs have been quite sharp. Thus, it is crucial to see what the Fed statement will say on December 16 and how the market will react to that.



TRADING STRATEGY

Source: Technistock



The PSEi broke through crucial support levels last week as we approach the Fed meeting on December 16. With many different events pulling down asset prices, we remain on hold as we observe the market.



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