



Vantage *point*

MARKET OUTLOOK: NEUTRAL
STRATEGY: INCREASE DEFENSIVE STOCKS

The Fed has finally raised interest rates. After announcing a hike of 25 bps, Fed Chairman Janet Yellen signalled 100 bps more next year, saying that this is a vote of confidence in the US economy.

Unfortunately, the rally in the US proved to be short-lived. After rising 1.3% on the day of the announcement, the Dow Jones index gave up all its gains and more the next day, and fell 367 points on Friday, which was worsened by quadruple witching. Equity indices around the world followed suit.

The resulting dollar strength also contribute to oil's drop to 7-year lows. Already suffering from oversupply concerns, crude oil fell more than 10% in a week.

Although the PSEi did fall by 0.6% last Thursday, we find the PSEi's move last Friday and this morning to be quite encouraging. A clear beneficiary of low oil prices, not only was it able to buck the move in the US, but we also had PhP 490M worth of net foreign buying in the past 2 trading days.

Moving forward, we will be monitoring growth in Europe, Japan and China, as well as the 2016 Presidential elections.



TRADING STRATEGY

Source: Technistock



The Fed rate hike has resulted in a stronger dollar and more volatility. We will have a more defensive stance moving forward.

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