



# Vantage *point*

**MARKET OUTLOOK: NEUTRAL  
STRATEGY: NIBBLE ON INDEX STOCKS BUT  
MAINTAIN DEFENSIVE STANCE**

Last week, we wrote about how markets rallied on the possibility of economic stimulus from central banks. This has now become a reality. BOJ Governor Haruhiko Kuroda brought negative interest rates to Japan in a bid to boost growth in their economy.

Investors welcomed Kuroda's drastic move. Along with ECB President Mario Draghi's statement last week, markets were sharply higher last week. This coordinated central bank action is a game changer for markets. Now, we have to monitor if this will be enough to offset the risks coming from China, low oil prices and the strong dollar.

Other than the strong rally in equities, another thing worth noting is the sharp move in emerging market currencies. Many of them appreciated strongly after the BOJ announcement, a signal that flows may be returning to emerging markets.

In the case of the Philippines, we had P1.5 billion worth of net foreign inflows on Friday alone, for a total of P2.6 billion last week. From being down 10% YTD, we ended January just down 3.8% for the year. The PSEi also had its best weekly gain since March 2009, which incidentally was the bottom of the last bear market. The Philippine peso also pulled back from resistance of 48, a positive for equity prices.



Source: Technistock

## TRADING STRATEGY



Global equities, especially emerging markets, continued their strong rallies last week as central banks came to the rescue. While it may be too early to call a bottom, we are seeing many signs of stabilization.

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