



Vantage *point*

**MARKET OUTLOOK: BULLISH
STRATEGY: ON-HOLD BUT WITH PREFERENCE
FOR INDEX STOCKS**

Dovish statements from the Fed served to weaken the dollar and boost sentiment in equities. This allowed the recovery in global stocks to continue as the Fed recognized the risks posed by global and financial developments.

Then, out of the blue, 3 Fed members made statements conflicting with the Fed's message. Atlanta Fed President Dennis Lockhart said a rate hike may come as soon as April while Richmond President Jeffrey Lacker noted that inflation will accelerate and get closer to the Fed's target as oil bottoms out. Then you had St. Louis Fed President James Bullard saying that the next rate hike is not far off.

It is important to note that of these 3, only Bullard is a voting member of the Fed this year. However, despite these statements being made in an unofficial capacity, the damage has been done. The dollar rebounded and oil prices fell sharply as the market was caught flat-footed.

Given these conflicting signals from 3 Fed governors, the dollar strengthened significantly and may cause corrections in emerging market equities. With the PSEi trading at resistance, we expect a correction and consolidation in the near term.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



The PSEi respected resistance of 7,400. We expect volatility in the near term due to conflicting signals from the Fed. We will remain on hold.

PhilEquity

2004-A, East Tower, Philippines Stock Exchange Bldg., Ortigas Center, Pasig City, 1605

(+632) 689.80.80

(+632) 706.07.95

sales@philequity.net

www.philequity.net