



Vantage *point*

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

After hawkish statements from 3 Fed governors, Fed Chairman Janet Yellen took center stage last March 29 to clarify the Fed's policies in her most detailed speech yet. She remained dovish and maintained that interest rate hikes will be gradual and not preset. Yellen also put significant emphasis on the negative impact of US dollar strength and global risks that may affect the US economy, mentioning the word "dollar" 7 times, "global" 11 times and "uncertainty" 6 times.

She also set the conditions for a rate hike, namely, (1) Foreign economies and their financial markets need to stabilize, (2) commodity prices need to stabilize to help commodity-exporting countries grow, (3) Inflation needs to rise sustainably and (4) the US dollar cannot become too strong.

These statements are bullish for EM currencies and equities, including the Philippines. In fact, the PSEi is up 4% YTD while the peso has appreciated 2% against the dollar this year after falling as much as 2.5% in January. Thus, even though we are trading at resistance, the correction may be shallow as foreign flows to EM may continue.

On the domestic front, elections are just 5 weeks away, so the market may remain in consolidation until then.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



The PSEi is now consolidating below resistance of 7,400. We expect the index to remain range bound over the next few weeks. We remain on hold.

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