

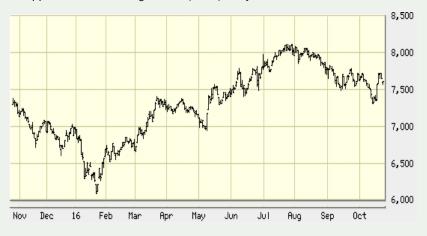
After breaking support of 7,500, the PSEi was able to bounce back above the 7,700 mark as we saw net foreign buying of PhP 1.1 billion for the week. With foreign funds accounting for half of trading volume, just a pause in selling is enough to bring our market higher. We are also closely watching the peso, especially as it broke the

48 level. Movements in the peso are good indicators of foreign flows and investor sentiment.

Unfortunately, we are hearing more noise on the diplomatic front. In a speech during his 4-day visit to China, the President announced his separation from the US not just in military, but also economically. He also said that he would like to see China, Philippines and Russia against the world. Words like these only add to the confusion regarding our foreign policy.

Businessmen are likewise nervous, especially as this may have profound implications on the BPO industry, the lynchpin of our economy. Fortunately, Finance Secretary Sonny Dominguez and NEDA Chairman Ernesto Pernia clarified that we are only veering towards more ASEAN integration and not severing ties with the US.

All this noise can cause more volatility, especially if the statements are very controversial. Thus, we maintain a defensive stance and a relatively high cash level as we continue to monitor events here and abroad. Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



With foreign outflows continuing unabated, the PSEi broke support of 7,500 last week. With dollar strength and domestic sociopolitical risk remaining, we remain on hold and continue to monitor foreign and domestic developments.



Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.