MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A

LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

After holding their breath, investors were left in a state of panic after Fed Chairman Jerome Powell's speech. His speech was short but hard-hitting and unequivocally hawkish. Investors were hoping for him to signal a pause in rate hikes and a potential pivot. Instead, he dashed these hopes and said that their actions will "bring some pain" to households and businesses. Markets got the message and the Dow Jones index fell by more than 1000 points on Friday.

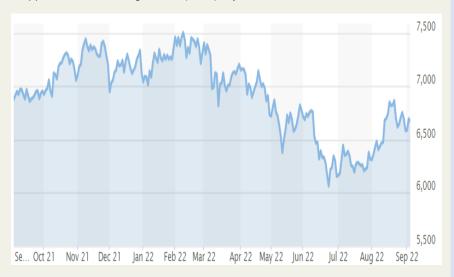
Below, we highlight some of his most strongly worded phrases:

- "...price stability is unconditional."
- "...a sustained period of below-trend growth."
- "Failure to restore price stability would result in far greater pain."
- "... a level that will be sufficiently restrictive to return inflation to 2%."
- "...estimates of longer-run neutral are not a place to pause or stop."
- "...a restrictive policy stance for some time."

As a result, the dollar strengthened sharply, causing the Philippine peso to fall to a record low. Note that significant peso weakness always translates to weakness for equity prices.

In light of Powell's speech and the Fed's policy direction, we expect investors and strategists to reassess their economic view and review their interest rate outlook.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



Fed Chairman Jerome Powell delivered a short but very hawkish speech at Jackson This global Hole. caused markets to fall sharply as it is clear that Powell is determined to put inflation under control even if growth deteriorates. We expect rough sailing in the next few months.

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