



Vantage *point*

MARKET OUTLOOK: BULLISH

STRATEGY:

OVERWEIGHT CONSUMER FOOD, POWER AND BANKING SECTOR

UNDERWEIGHT TELCO SECTOR

2 weeks ago, we said that the week going into October will prove to be a volatile one. Last week was much more so, with the Dow Jones moving up or down by about 300 points in 3 out of the 5 trading days last week. By the end of Friday, the Dow Jones finally gave up all its gains for the year.

The primary reason behind weakness in equities was the fear of a global slowdown. Weak economic numbers from Europe brought back fears of a Eurozone recession as well as the realization that the ECB's actions were not enough. This fear was all but confirmed by ECB President Mario Draghi in last week's press conference. Fed Chairman Janet Yellen has expressed concern over how sustained dollar strength may impact global growth negatively. The IMF has also downgraded its world growth forecast, saying that economic growth has been "weak and uneven."

This correction was exacerbated by fears of the Ebola virus spreading. The recent infection of a US nurse who helped treat the last Ebola fatality also raised alarm signals that the virus may be more contagious than previously thought. While West Africa is grappling with an epidemic of the Ebola virus, the US is gripped by an epidemic of fear. In an environment filled with fear of the unknown, we expect the market to consolidate until these fears are allayed.



TRADING STRATEGY

Source: Technistock

Initial support was finally broken on fears of a global slowdown and Ebola. Next support now lies at 7,000. With the Dow Jones already giving back all of its gains for the year, we remain neutral in the short term as equity indices go through a volatile consolidation phase.



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