



# Vantage *point*

**MARKET OUTLOOK: LONG TERM BULLISH, SHORT TERM NEUTRAL  
STRATEGY:**

**OVERWEIGHT CONSUMER FOOD, POWER AND BANKING SECTOR  
UNDERWEIGHT TELCO SECTOR**

3 weeks ago, we said the consolidation going into October would be a volatile one. That said, the past weeks have proven to be one of the most volatile and painful times for investors. This recent drop is still primarily due to fears of a prolonged global slowdown exacerbated by Ebola.

This extreme volatility can be seen in the CBOE Volatility Index (VIX), which was up as much as 36% last Wednesday, reaching highs not seen since 2011. These spikes in the VIX are evidence of the preponderance of fear in the market. In fact, it even doubled in just a week, rising from 15 to 31.

The big difference last week was the unwinding of leveraged hedge funds coupled with the unprecedented lack of liquidity in the US on certain days. Sharp drops last week are likely to have triggered margin calls, forcing leveraged hedge funds to sell at whatever price. For instance, on the same day the VIX recorded its biggest spike for the year, the Dow Jones fell as much as 460 points as many funds gave market orders to sell.

The Philippines was no exception. This was most evident last Friday as foreign funds gave orders to sell many stocks at the close at whatever price. While fears of a global slowdown and Ebola pandemic are not to be underestimated, these precipitous drops create an opportunity to buy. Though many stocks have reached attractive levels, we remain selective in our buying.



Source: Technistock

## TRADING STRATEGY

Stocks continue to go through a volatile consolidation phase with many global equity indices losing more than 10% in the past 3 weeks. However, many stocks we like are now looking cheap, so we remain buyers of these companies on pullbacks.



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