



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: HOLD AND CLOSELY MONITOR MARKET

Equities staged a strong rally last week until Friday, when Fed Chairman Janet Yellen kept rates on hold, saying that "recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term."

Thus, expect volatility to continue as the overhang of a future US rate hike remains. Moreover, Yellen's concern over global growth (ex. China) may further dampen sentiment, especially in Asia.

Foreign outflows slowed down, with last week even registering a PhP70M net foreign buy (ex-LRI block). Whether this is just a pause or a reversal remains to be seen, but we will be closely monitoring it.

Asian currencies also strengthened against the dollar last week. As of this writing, they are showing some softness again, but the outperformance of the Philippine peso vs. its neighbors is clear.

Currently, markets are quite tentative and looking for direction. However, more emphasis has been given to the weakness in global growth rather than the dovishness of the Fed. Although we maintain a cautious stance, we would like to note the Philippines' relative outperformance, which is a good sign. We will continue watching for signs of decoupling and reversal of foreign outflows.



TRADING STRATEGY

Source: Technistock



With volatility expected to continue due to the Fed's decision not to increase interest rates due to global growth risks, we remain cautious on the market.



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