

After correcting on Brexit fears, markets have now become slightly optimistic ahead of the referendum on Thursday. Last week, the Fed also refrained from raising interest rates, which was widely expected.

With the death of a British lawmaker, campaigns on both sides of the Brexit debate were suspended for a few days. Survey results are mixed, but it is clear that the "Remain" and "Leave" camps are neck and neck ahead of the vote.

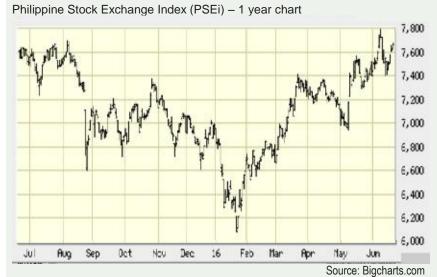
Emerging markets got yet another reprieve as Fed Chairman Janet Yellen became all the more dovish after the Fed's last meeting, with many Fed governors now seeing just one rate hike this year. Citing Brexit as a cause for caution, Yellen practically ruled out raising interest rates this summer.

Thus, despite all this volatility and uncertainty, the resilience of the PSEi is a pleasant surprise for us. After falling 5% from its high over a week, the PSEi has since bounced from support and is trading above the 7,600 level. In fact, there were days when all markets were down and only the Philippines was up.

The Philippine peso has also proven to be stronger and less volatile than its Asian neighbors. In fact, after 4 days of foreign selling, the PSEi saw net foreign buying of PhP 1.7B on Thursday and Friday last week.

Recent pronouncements by incoming Finance Secretary Sonny Dominguez are also very bullish for the market. He said that the government plans to lower corporate tax, will respect the sanctity of contracts and boost infrastructure spending to 5% of GDP or more. Foreign ownership limits will also be relaxed for certain sectors.

Though we may be neutral on equities in the short term, we continue to be bullish on the long term prospects of the PSEi. We realigned our portfolio by concentrating more on index stocks that have significant growth catalysts and have proven to be relatively resilient.



## TRADING STRATEGY



With the Brexit referendum on Thursday, market volatility has been quite high. With the outcome of this landmark vote quite uncertain, we remain on hold as we await its result.

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