



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUS  
**STRATEGY:** DEFENSIVE STOCKS AND SECOND LINERS  
WITH GOOD GROWTH PROSPECTS

Last week, OPEC finally agreed on a landmark output cut of 1.2 million barrels/day starting next year. The sent crude oil prices higher by as much as 10% in a day. Though this was bullish for emerging markets as a group, the positive sentiment was short-lived.

On the currency side, the peso finally strengthened after 3 straight weeks of depreciation and seems to be holding at the crucial 50/\$ level. We would like to note that, historically, the US dollar does tend to "sell on news" once a rate hike is announced.

Unfortunately, statistics were not on the side of Philippine stocks last month. Despite November having an average return of 0.26% in the last 29 years, the PSEi fell 8.4% last month. This is the index's worst monthly performance since August 2013. Note also that in this current bull market, there have only been 3 instances where the index has fallen more than 8% in a month.

Recent domestic political news flow may also add to uncertainty despite the seeming warming of relations with the US. We maintain our defensive stance and a healthy cash level.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

## TRADING STRATEGY



Despite the peso holding below the 50/\$ level, weakness in emerging markets continues to drag the local equity market down. We maintain our defensive stance as uncertainty still abounds.

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