



Vantage *point*

**MARKET OUTLOOK: CAUTIOUSLY
STRATEGY: SELECTIVE BUYING ON CONSUMER AND
INFRASTRUCTURE STOCKS**

Global equity markets are now taking a pause ahead of the Fed meeting on March 15. After doubting a March rate hike, market expectations have risen from 20% a few weeks ago to practically 100% now as US growth and inflation continue their strength. Note that ADP and nonfarm payrolls last week were significantly above forecasts.

However, more important than the Fed's actual move to raise rates would be its policy statement and economic projections. From these, we will be able to see if the Fed is intent on raising rates 3, or maybe 4 times, this year.

We will also be closely monitoring how the different asset classes will react to the Fed. While the US dollar has taken a pause, an extremely hawkish statement may cause it to rally again. This may have a negative effect on EM currencies and equities.

We expect the PSEi to also normalize this week after the sharp drop last Friday. To make way for the inclusion of PGOLD, EMP was removed from the PSEi and SM was sold down 9% at the close as it saw the largest weight reduction.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



The PSEi ended last week on a low note due to index rebalancing. With the Fed meeting happening on March 15, we will be closely monitoring the Fed's statement and the reaction of different asset classes.