

Though volatility remains higher than usual, markets are much calmer than they were at the start of February. The Fed policy statement that came out last Friday was also guite encouraging. The Fed expects moderate wage increases and grdual tightening of monetary policy.

While these still point towards higher interest rates in the future, it also indicates that the Fed will be very careful in tightening monetary policy in order to avoid stifling growth or creating excessive volatility in the financial markets.

Unfortunately, the PSEi has been underperforming Asian markets recently as foreign funds continue to sell. In the past 21 trading days, 20 of these saw net foreign selling. Moreover, many blue chips have broken strong support levels, which indicates that our market may need more time before it recovers.

Also notable is how retail money seems uninterested in index stocks and is instead flowing towards speculative stocks, many of which have become the top traded Philippine stocks in the past 2 weeks. Combined with continuous net foreign selling, this is not a good sign for the market.

behind PSEi's Another reason the underperformance is the depreciating peso. Though it has since gone below the 52 level, it is down 3.7% YTD. For foreign funds which measure their returns in dollars, it means that they are losing money on Philippine stocks. With other Asian currencies strengthening against the dollar, the peso's relative weakness has become a deterrent for foreign funds thinking of buying Philippine stocks.





## TRADING STRATEGY



Though global markets have recovered, we note that volatility remains elevated. With many risks in the horizon, we maintain a cautious stance and a healthy cash balance.

t +632 689 8080 e ask@philequity.net w www.philequity.net

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.