**MARKET OUTLOOK: CAUTIOUS** 

SECTOR PICKS: CYCLICAL STOCKS WITH EFFECTIVE RECOVERY PLANS AND FORTRESS BALANCE SHEETS,

STOCKS WITH LOW VALUATIONS, COMPANIES WITH LESS DOMESTIC EXPOSURE

TECHNICALS: SUPPORT AT 6800 FOLLOWED BY 6500, RESISTANCE AT 7200 FOLLOWED BY 7400

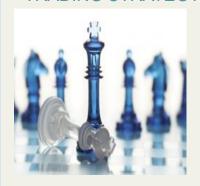
Hopes of a swift end to the Russia-Ukraine war were dashed as Russian President Vladimir Putin vowed to continue the conflict. Combined with evidence of potential war crimes in cities such as Bucha, Western nations have ratcheted up sanctions against Russia. The EU has also said that a de facto energy embargo is on the table now. This may cause oil prices to rise - a negative for the Philippine economy. In light of Russia's continued aggression, Finland and Sweden have also begun discussions on potential NATO membership.

The Philippine peso's recent strength also proved to be temporary. With the Fed set to aggressively raise interest rates and withdraw liquidity from markets, the US dollar has regained its strength. As investors rushed into the safety of the US dollar, the entire 3-week upmove of the peso was erased and it is now back above 52. Peso strength was one of the catalysts for the equity market and also serves to reduce our rising inflation.

We also note that the past 3 weeks volume for the Philippine stock market fall more than 30% below its usual average of PhP 7.5 billion. With liquidity drying up and geopolitical uncertainty showing no signs of waning, we maintain our cautious stance.



## TRADING STRATEGY



With Western nations increasing the magnitude of sanctions over the Russia-Ukraine war, hopes of a swift end to the conflict have faded. With the US dollar regaining strength, inflation expectations remaining elevated and bond yields continuing to rise, we remain on the sidelines for now.

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