

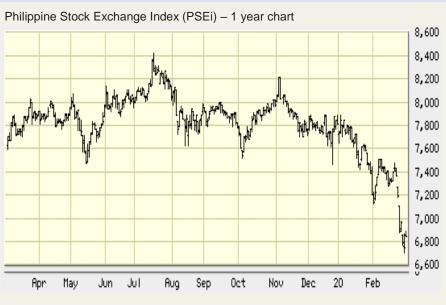
## MARKET OUTLOOK: CAUTIOUS BUT OPTIMISTIC SECTORS: OVERWEIGHT TELCOS AND SELECT PROPERTY STOCKS TECHNICALS: SUPPORT AT 6800 FOLLOWED BY 6500, RESISTANCE AT 7200 FOLLOWED BY 7500

COVID-19 has entered a new phase with new epidemic clusters growing in other countries. With the accelerating rate of infection outside of China, a pandemic may be upon us. Uncertainty over the magnitude and economic impact of COVID-19, as well as fears that it may be at our doorstep, resulted in the fastest drop from record high to correction territory in US history. The Dow Jones index is down 14% from its record high, with 12% happening last week.

Multiple 1000-point drops for the Dow Jones index culminated in the US equity market having its worst weekly performance since the 2008 Financial Crisis. Global markets were dragged down by this flight to safety as investors shifted from equities to bonds. In fact, US 10-year and 30-year bond yields hit record lows last week.

The PSEi was not spared from this plunge as it fell 3.9% last Wednesday on PhP 3 billion of net foreign selling, All told, the PSEi, lost 7.9% last week on PhP 9.5 billion in net foreign selling and is down 13.2% YTD. In fact, ASEAN markets are among the worst performing in the world, with Thailand, Indonesia and the Philippines among the 10 worst performing equity markets YTD.

However, there may be light at the end of the tunnel. With the WHO raising its highest alert level for COVID-19, governments will be even more resolute in implementing quarantines to prevent the spread of the virus. Central banks are also prepared to respond, with Fed Chairman Jerome Powell saying that the Fed is ready to act to stave off the slowdown. This meltdown also caused valuations to become so compelling on a long term basis. Thus, we are starting to increase our equity exposure as it seems the fear may have reached its peak.



## TRADING STRATEGY



Markets experienced a bloodbath last week as record-breaking corrections unfolded. With fears and uncertainty over COVID-19 scaring investors, many markets entered correction territory, with some even entering bear market territory. However, the speed and magnitude of the drop opens up an opportunity to buy. We are starting to increase equity exposure as valuations have become too compelling.

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