

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

MARKET OUTLOOK: NEUTRAL

SECTOR PICKS: CONSUMER NAMES, STOCKS WHICH BEAT EARNINGS FORECASTS, COMPANIES WHICH DERIVE A LARGE PORTION OF THEIR INCOME FROM FOREIGN SOURCES

TECHNICALS: SUPPORT AT 6500 FOLLOWED BY 6200, RESISTANCE AT 6800 FOLLOWED BY 7000

Markets took a breather as investors awaited Fed Chairman Jerome Powell's speech at Jackson Hole. Everyone will be looking for clues on his next policy action. Have interest rates hit neutral as he remarked before? Or are there more significant rate hikes to come?

This is potentially market-moving as it will determine the direction of currencies and stocks. A hawkish stance will result in more dollar strength and weakness for equity prices. On the other hand, a more dovish statement indicating that interest rates are close to a peak will take pressure of currencies, allowing equities to rally further.

How the ongoing economic slowdown unfolds is also important. Many countries are now facing record-breaking droughts, which will impact agricultural production, electricity cost and quality of life. If a deep or prolonged recession unfolds, then we may see more downside from here. If not, then we have likely seen the bottom for equities in June.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



All eyes are on Fed Chairman Jerome Powell's speech at Jackson Hole. His hawkishness or dovishness will determine the direction of currencies and stocks in the near term. Because investors are waiting for his words, market liquidity has been very low this week. We are on hold pending the details of his speech.