MARKET OUTLOOK: CAUTIOUS

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

TECHNICALS: SUPPORT AT 5700 FOLLOWED BY 5400, RESISTANCE AT 6000 FOLLOWED BY 6200

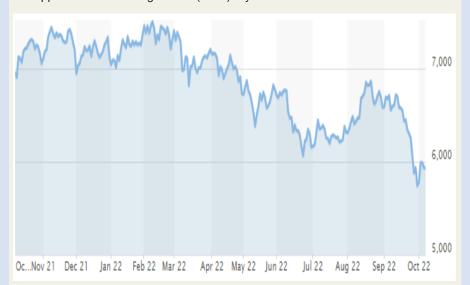
After losing 16.3% over 6 weeks, the PSEi managed to bounce from extremely oversold levels. Unfortunately, the 3.3% recovery this weak failed to break the 6000 psychological level. Bearish technicals combined with the lack of liquidity make for a dangerous recipe in this kind of market.

With daily traded value averaging less than PhP 4 billion per day, it is clear that most investors are very disinterested in trading our market. This makes it very difficult to make sizeable portfolio adjustments, whether buying or selling.

On the bright side, we note that global markets are attempting once again to carve a bottom. Bonds have also bounced from extreme levels, ex. US 2-year Treasuries hit 4.34% two weeks ago. This should help put a floor for Philippine stocks as well.

Still, faced with a multitude of risks and no catalyst in the horizon, we are not inclined to increase equity exposure significantly even at current price levels. Prudence is the better part of valor.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



After falling for 6 straight weeks, the PSEi staged a relief rally. Unfortunately, the previous support level of 6000 is now proving to be a resistance. Technicals still indicate that we are in a downtrend. We continue to remain cautious.

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