MARKET OUTLOOK: NEUTRAL

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

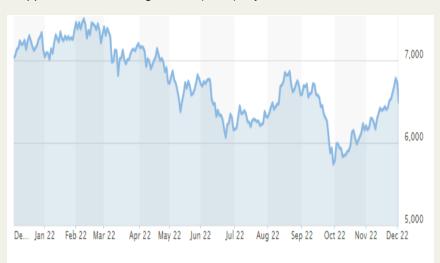
TECHNICALS: SUPPORT AT 6200 FOLLOWED BY 6000, RESISTANCE AT 6500 FOLLOWED BY 6800

After rising as much as 19.5% from its 52-week low of 5699, the PSEi finally gave in to selling pressure. Only 2 stocks were in the green last Friday, with #1 index component SM falling 8%. Net foreign selling of PhP 850M also contributed to the benchmark's 3.6% plunge.

On the bright side, the Philippine peso appreciated by 1.7% last week and is now trading at 55.76/\$, a far cry from the concerning 59 level. Fed Chairman Jerome Powell's statement that smaller rate hikes could start in December, coupled with signs that US inflation may have peaked, led to the dollar's recent drop. This benefited both developed market and emerging market currencies, including the peso. This is a boon not only for risk assets but also our economy.

While we do not expect any more market-shaking news towards yearend, we are closely monitoring economic data out of the US. While investors have been worried about a recession for quite some time now, it has not yet come to pass. The magnitude and duration of the recession, as well as the response of central banks, will play a huge role in determining market direction in 2023.

Philippine Stock Exchange Index (PSEi) 1-year chart



TRADING STRATEGY



After rising for 6 straight weeks, the PSEi dropped by 3.6% last Friday on the back of heavy foreign selling. Technical indicators also show that the index has reached overbought territory, so a correction became increasingly likely. We recommend increasing exposure at lower levels.

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