



First Focus

Hello 2016: Possibilities for the year ahead

Current

6,618.88 -4.8% YTD

Support

6600 (important support for range)
6300, 6000, 5700 (important supports for bull run)

Resistance

6950, 7100
7300 (important resistance to challenge range)
7550, 7775, 8136 (all-time high)

9-Month Downtrend Intact; 5-Month Range Challenged on the Downside (Critical)

- PSEi just above above the low end of 5-month range - 6600 major support with a downward bias as 9-month downtrend remains intact.
- **A breakdown from 6600 support will lead to test of next support at 6300, possibly even 6000.**
- Only a break above 7300 and 7200 major resistance would mean a challenge of the range and downtrend, respectively.

Outlook

- Short-Term *Cautious*
- Medium Term *Cautiously Optimistic*
- Long-Term *Positive*



PSEi starting 2016 on a weak note carrying over 2015 concerns; China concerns intensify market declines

Markets this week so far...

Philippines - PSEi -4.8%
US - Dow -5%, S&P -2.3%, Nasdaq -6%
China - CSI 300 -12%

The start of 2016 carries over the same concerns in 2015 - possible US fed rate hikes which lead to a stronger dollar/weaker peso (est. 46.50 - 48.50 : \$1) and capital outflows alongside continued slowdown of China, one of the world's largest economies, despite stimulus measures by its government.

Geopolitical tensions have also resurfaced as North Korea was reported to have conducted a hydrogen nuclear test and Saudi Arabia and some Gulf allies have a falling out with with Iran

Weak manufacturing data on Monday sent Chinese shares plunging, triggering the new circuit breaker rule which halts trading after a 7% decline is hit. Despite government intervention to prop up the market by buying shares the following day, the circuit breaker rule was triggered again Thursday, only after 30 minutes of trading along side a sharp devaluation in the Chinese currency, interpreted as a sign that the authorities are becoming increasingly rattled about the nation's ailing economy.

George Soros is concerned saying that China has a "major adjustment problem" on its hands. "I would say it amounts to a crisis...When I look at the financial markets, there is a serious challenge which reminds me of the crisis we had in 2008."

Chinese stocks fall 11.6% this week

Tumbling Chinese stocks triggered a second emergency closure on Thursday.



