

<b>PSEi</b>	<b>6,362.26</b>	<b>164.42</b>	<b>2.65%</b>
Volume	1,303,454,534.00		
Value	8,014,138,026.31		
Advances		99	
Declines		46	
Unchanged		40	
Total Trades	26,400		
Total Cross	2,622,619,111.43		
Total Block	178,586,052.54		
<b>Industry</b>			
Bank & Fin	1,570.64	38.51	2.51%
Min & Oil	12,233.99	108.20	0.89%
Property	2,414.01	36.24	1.52%
Industrial	9,358.50	192.84	2.10%
Services	2,045.15	42.92	2.14%
Holdings	5,635.56	169.01	3.09%
All Shares	3,836.80	73.31	1.95%

## Market View

THE US GOVERNMENT SHUT DOWN became a reality as Republicans and Democrats stuck to their respective positions but European and US stocks appears to have been numbed by earlier anticipations, rose overnight. Asian markets are poised to extend Monday gains.

Philippine shares began trades with an 80-point jump, extending it to over 100-points to breach the 6300-line which it continues to hold entering

the final hour of the morning session. Indonesian shares are also higher by more than 1.0% with the rest of Asia, except the Nikkei, in the green. Shanghai is still shut for a week-long holiday but the Hang Seng returned to action following Monday's break.

Even Australian stocks have kept above water despite the release of trade deficit numbers for August showing the gap widened to AU\$815M, worse than what analysts expected. The Aussie is marginally lower at US\$0.94.

Meanwhile, the Manila-based Asian Development Bank cut its 2013 growth forecast for Emerging Asia to 6% from 6.6% it projected in April. The 2014 estimate was also pulled lower to 6.2%. It sees the Southeast to expand at a slower pace *but singles out "stronger Philippine growth" to partially offset the decline.*

Republicans have resisted passing the budget bill forcing the White House to issue the call for a temporary, unpaid furlough for over 800k workers in "non-essential" services. House of Representatives Speaker John Boehner (Republican, Ohio) has leveraged the approval of the TransCanada Corporation's Keystone XL pipeline, revisions to the tax code and a one-year delay on funding Obama-care before the Lower House accedes to extending the debt limit. The D-Day (default) is pegged on October 17<sup>th</sup> and the US risks another downgrade of its credit rating if no agreement is reached by then.

## OUTLOOK:

FOR AT LEAST THREE TIMES THIS YEAR, OUR PROPOSITION TO BUY ON HUGE DIPS WAS VALIDATED. THE SUBSTANTIAL DROPS THAT PROCEEDED FROM THE FED TAPERING FEARS IN MAY, THE PROSPECT OF A SYRIAN WAR IN LATE AUGUST AND THE RECENT SCARE OVER A US GOVERNMENT SHUT DOWN CREATED, OPENED AND PRESENTED UNMISTAKABLE BUYING OPPORTUNITIES. ONLY THOSE WHO WERE ABLE TO MUSTER SUFFICIENT COURAGE, OR AT LEAST THE DISCIPLINE TO STICK TO THEIR TRADING PLANS AND STRATEGIES, WOULD HAVE MADE AT LEAST SOME PROFITS RATHER THAN SITTING WITH NOTHING AT THE SIDELINES.

BUT SUCH IS THE VULNERABILITY OF THE MARKET'S EMOTIONS. SHRUGGING OFF THE DAILY HEADLINES IS EASIER SAID THAN DONE – YET IT IS WHAT SHOULD BE DONE. IF ONE HAD BOUGHT ON EACH INSTANCE THE PSEI DROPPED BELOW THE BEAR MARKET LINE, THE ENSUING RETURNS AS PRICES REBOUNDED EXTENDED PAST DOUBLE-DIGITS. THE CURRENT RETURN OF THE RECENT LOW OF 6191.80 IS KNOCKING ON 3.0%.

NOW THAT THE US GOVERNMENT HAS "SHUTDOWN" ATTENTION MOVES TO THE ISSUE OF RAISING THE DEBT CEILING FROM US\$17 TRILLION – THE ALTERNATIVE, SHOULD THE WRANGLING AND FINGER-POINTING CONTINUE THROUGH OCTOBER 17, IS MORE FEAR-INDUCING. THE US WILL DEFAULT ON ITS LOANS AND IT MAY YET LOSE ANOTHER NOTCH OFF ITS CREDIT RATING. THIS IS SOMETHING AN ECONOMY THAT HAS JUST SEEMINGLY FOUND THE ROAD TO RECOVERY CAN TOLERATE.

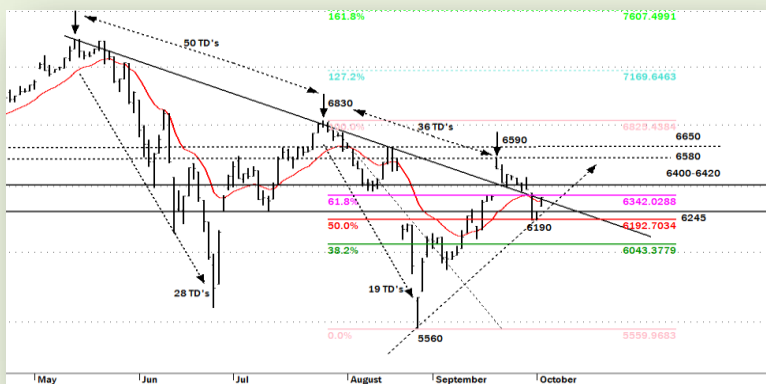
IF IT COMES TO PASS, WE EXPECT YET ANOTHER KNEE-JERK FROM GLOBAL EQUITIES INCLUDING THE PSEI. YET, UNLESS THE OUTLOOK FOR THE DOMESTIC ECONOMY CHANGES ON THE DOWNSIDE, IT MAY PRESENT YET ANOTHER BUYING OPPORTUNITY FOR INVESTORS.

YEAR	START	END	DAYS	s&p start	s&p end	change %
1976	30-Sep	11-Oct	10	105.24	101.64	(3.42)
1977	30-Sep	13-Oct	12	96.53	93.46	(3.18)
1977	31-Oct	9-Nov	8	92.34	92.98	0.69
1977	30-Nov	9-Dec	8	94.83	93.65	(1.24)
1978	30-Sep	18-Oct	18	102.54	100.49	(2.00)
1979	30-Sep	12-Oct	11	109.32	104.49	(4.42)
1981	20-Nov	23-Nov	2	121.71	121.60	(0.09)
1982	30-Sep	2-Oct	1	120.42	121.51	0.91
1982	17-Dec	21-Dec	3	137.49	138.61	0.81
1983	10-Nov	14-Nov	3	164.41	166.58	1.32
1984	30-Sep	3-Oct	2	166.10	162.44	(2.20)
1984	3-Oct	5-Oct	1	162.44	162.68	0.15
1986	16-Oct	18-Oct	1	164.78	168.10	2.01
1987	18-Dec	20-Dec	1	249.16	249.54	0.15
1990	5-Oct	9-Oct	4	311.50	305.10	(2.05)
1995	13-Nov	19-Nov	5	592.30	596.85	0.77
1995-96	15-Dec	6-Jan	21	616.34	618.46	0.34

There have been 17 shutdowns since 1976 during the incumbency of President Gerald Ford. The average duration is 6 to 7 days with the longest experienced under President William Jefferson Clinton lasting 21 days from December 15<sup>th</sup> 1995 to January 6<sup>th</sup> of the following year. The bias of share prices over this period is just slightly negative, averaging returns of -0.67%. Note however, that in the first seven (7) shutdowns (1976-1981 period) stocks moved south by an average of nearly 2.0% in six (6). Yet, in the last 10 such shutdowns, share prices even rose an average of 0.22% in eight of ten instances.

In the last two shutdowns under Clinton, where US stocks advanced an average of +0.56%, Philippine shares posted roughly the same average. However, the return over the November 13-19, 1995 shutdown was a huge - 6.93% but was offset by the +7.92% gains over the December 15-January 6 shutdown.

What these numbers tell us is that, while we are not entirely "unaffected" by turmoil that visits upon the US economy, the negative sentiments leading up to the shutdowns appear to be overdone – the talk dominating the walk. Of course, the conditions and dynamics during those earlier periods were far different than that prevailing today. We need not enumerate the strengths of the domestic economy. ADB's outlook as mentioned on top should suffice.



Over the morning trades, the PSEI has climbed back to the 6,300-level, tipping the 6330 resistance at the break. With the gains held, even widened, through the afternoon session the PSEI may be seen to establish a fresh trading range between 6250 and 6420 – restoring a semblance of stability to trades. All prior gaps brought about by recent concerns – Fed tapering and Syrian war – have closed as the index breezed past important technical lines. Three times in the last four months, the measure dropped to what technicians define as bear territory but at each time the breach was invalidated by an ensuing rise above the bear line.

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