



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: SHIFT TO DEFENSIVE STOCKS

Global markets have been rising and falling based on rhetoric coming out of the US and China. Every new tariff is met with a correction and a pause in escalation is met with relief rallies. However, the past weeks have shown that this tit for tat on trade has no signs of slowing.

With China declaring \$50 billion in tariffs on US products including soybean, a crucial US export, Trump announced his intention to impose an additional \$100 billion in tariffs against China last night. These events are fuelling the volatility in equity markets as well as sapping bullishness in stocks.

On the Philippine side, March inflation came in at 4.3%, above both consensus forecasts and the BSP's estimate. This has left analysts and economists clamoring for a rate hike lest inflation continue to rise to a point that it stifles growth. A rate hike will also help the peso stabilize or even strengthen - a boon for all Philippine assets.

Though foreign selling continues, it has been less heavy the past week, allowing the PSEi to stabilize around the crucial 7,900-8000 support level. Unless trade war rhetoric takes a turn for the worse, we expect the PSEi to meander here in the near term.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With trade war rhetoric from US and China escalating, we maintain our cautious stance as we closely monitor developments on this front.