



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: DEFENSIVE STOCKS

With MSCI rebalancing set to conclude this week and FSTE rebalancing next month, we expect stocks to be weighed down by the heavy foreign outflows.

On the foreign front, the previous week has proven to be quite eventful because of Trump's back and forth on the North Korea summit, as well as mixed messaging regarding trade. Fortunately, Treasury Secretary Steve Mnuchin declared that the trade war will be "on hold".

The developments on the trade front may allow stocks to recover as concerns over slowing growth due to a potential trade war have been dispelled for now. That said, because of Trump's penchant for contradicting himself, we have to closely monitor pronouncements of both the US and China.

Another encouraging development is the sharp reversal in oil prices last Friday. As of this writing, crude oil prices have fallen 7% from the recent high as the OPEC and Russia consider lifting output caps. This should temper our rising inflation and allow domestic consumption to recover, boosting GDP growth. If this reversal continues, it will be very bullish for the Philippine economy and stock market.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With foreign selling still continuing unabated because of MSCI and FTSE rebalancing, we remain cautious on the market.



+632 689 8080

ask@philequity.net

www.philequity.net