



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: DEFENSIVE STOCKS

The first week of the trade war has proven to be a quiet one, with most stock markets actually recovering from their lows. Though there have been no talks yet between the US and China, the US has signaled that it is open to negotiations. We expect a high degree of uncertainty on this front, but we find this development to be encouraging.

With foreign selling just at PhP 1.6 billion last week, it was half of the usual amount in the past months. This allowed our index to rally to 7400. If foreign selling reverse into foreign buying, it should help our stock market recover. However, note that 7400-7500 is a resistance level, so we may pullback from there.

Barring any significant news, the market may consolidate until 2Q18 earnings start trickling in, which is 2 weeks from now. However, until such point that we see significant catalysts for our market, we will continue to maintain an elevated cash level.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With foreign selling slowing down last week, the PSEi was able to rebound from its lows. However, we remain cautious as the global environment remains uncertain, especially on the trade front.