



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: DEFENSIVE STOCKS

Trade war issues surfaced once more as the US brought up the possibility that China is manipulating its currency. In a CNBC interview, Trump also indicated that the US is likely to win this trade war, saying that they are "playing with the bank's money". This may point to further escalation unless China makes some concessions on trade and intellectual property.

Despite this though, markets seem to be giving Trump a vote of confidence, as can be seen in the strength of US stocks. However, this may work against China and emerging markets which have continued to significantly underperform vs. the US. On the bright side, Trump brought up his disdain for dollar strength and further rate hikes. This should allow EM currencies to regain some ground against the dollar.

Without any new and significant developments, we expect the market to consolidate until corporate earnings start coming in a week from now. The President's SONA may also give some clarity regarding the President's economic agenda and push for federalism. There have been concerns inside and outside government regarding this, as can be seen in Moody's cautious statement due to federalism and the SC decision on the IRA of LGUs.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Though foreign selling continues, it has slowed down significantly. However, given the balance of risks, we remain on hold while we monitor global and domestic events.

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