



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: DEFENSIVE STOCKS

As of last Friday, the PSEi managed to close in the green for 5 straight weeks. The most significant move was in the previous 2 weeks which saw the benchmark gain 5% on the back of PhP 2.2 billion in net foreign buying. We note that foreign funds also flowed into ASEAN markets, with the Philippines being a beneficiary of these foreign inflows as well.

Stocks were not alone in eking out gains as the peso also appreciated against the US dollar over 3 straight weeks, gaining nearly 1%. This is due to expectations that the BSP will act aggressively to tame inflation through a 50 bps rate hike on Thursday. Note that inflation figures for July will be coming out on Tuesday and are expected to exceed the previous month's level of 5.2%. 2Q18 GDP will also be released on Thursday morning prior to the Monetary Board meeting. Consensus expectation puts it at 6.6% slower than last quarter's 6.8%.

On the global front, the trade war continues to escalate as Trump is said to raise proposed tariffs from 10% to 25% on \$200 billion of Chinese products. In response, China announced tariffs ranging from 5-25% on \$60 billion of US products. Though both sides have indicated that they are open to negotiations, trade war rhetoric continues to become more aggressive.

In addition to BSP rate action, inflation and GDP, corporate earnings of more index heavyweights will start to be released this week and next, so we will be remaining on hold for the next few days.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With foreign funds flowing into Philippine stocks and the peso strengthening, our market was finally able to find its footing. We have slowly reduced our cash exposure in the past weeks.

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