



Vantage *point*

MARKET OUTLOOK: NEUTRAL
STRATEGY: DEFENSIVE STOCKS

A week after above forecast inflation figures came out, Typhoon Ompong arrived at a most unfortunate time - in the middle of harvest season. With 1.2M hectares of farmland at risk, there is a possibility that rice supply may be affected, further stoking inflation. Fortunately, Ompong seems to be weaker than expected. We are awaiting the financial impact of Ompong on the agricultural sector.

At the same time, the peso has weakened to 12-year lows, breaching the crucial 54 support level. This does not bode well for Philippine assets, both stocks and bonds. With sentiment for emerging markets already on the negative side, further peso weakness could lead to more underperformance for equities relative to the region.

On the trade front, there was supposed to be good news as the US has signaled its intention to restart negotiations with China. However, Trump announced that there is no rush to make a deal with China and he is mulling the actual implementation of tariffs on \$200 billion worth of Chinese imports. Volatile news flow on the trade front will continue to disorient markets until a resolution to the US-China trade war becomes clear.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



The weakening peso, negative news flow about the trade war and fears of Ompong stoking inflation have caused foreign funds to turn sellers in a big way. We are not increasing equity exposure at this point.



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