



# Vantage *point*

**MARKET OUTLOOK: NEUTRAL**  
**STRATEGY: DEFENSIVE STOCKS**

Last week, the BSP raised interest rates by yet another 50 bps in a bid to anchor inflation expectations. With September inflation figures coming out on October 5, the BSP has to show its decisiveness in its attempt to rein in inflation. The government also needs to address supply side issues in order to contain inflation.

Around the same time that the BSP raised rates, the IMF and ADB downgraded their growth forecasts for the Philippines. Among the reasons cited for the downgrade are higher inflation, policy tightening, rising borrowing costs, potential overheating, volatile capital flows and global trade tensions. The IMF added that "risks to the growth outlook are tilted to the downside." These downgrades further add to the strong US dollar, rising global oil prices and other headwinds that are weighing on Philippine assets.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Despite the BSP's 50 bps rate hike, the stock market remains stubbornly weak due to a slew of economic growth downgrades. We remain cautious in the near term as risks to growth and inflation continue to hound the Philippines.



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