



Vantage *point*

MARKET OUTLOOK: NEUTRAL
STRATEGY: DEFENSIVE STOCKS

September inflation came in at 6.7%, a tad below 6.8% consensus. However, this marks the 9th straight month of rising consumer prices with food inflation still accelerating even on a month-on-month basis.

After the inflation number was announced, the BSP said that inflation may be peaking as the government has started to act on supply-side issues. We hope that inflation can finally be put under control as the September inflation figure does not include the NCR wage increase or the recent gasoline price hikes. If inflation finally peaks and goes back to the BSP's target range, it will be a significant catalyst for the market.

Other important things to watch are US yields and China's move this week. After being on holiday for the entirety of last week, the Shanghai Composite reopened yesterday and was not spared from the EM selloff brought about by the swift breakout in US 10-year yields, which now stands at 3.23%. In fact, yields in the US have risen across the board. If China's equity market continues to slide this week, then it may drag down EM even further, including the Philippines.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



The sharp jump in US yields coupled with inflation jitters have put pressure on Philippine stocks. With the market now close to support of 7000, we expect a bounce. However, weakness in emerging markets, specifically China, are a cause for concern. We remain on hold.



[+632 689 8080](tel:+6326898080) ask@philequity.net www.philequity.net

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