Issue Date: October 23, 2018

Vantage point

MARKET OUTLOOK: CAUTIOUS
STRATEGY: DEFENSIVE STOCKS

After a blood start first half of October, wild intraday swings still remain. Among the most battered was the Shanghai Composite, which was already at 4-year lows last week. Fortunately, Chinese stocks have since rebounded as the government has vowed to support the stock market. This may provide support for emerging markets, including the Philippines.

After trading below 7000 for a week and hitting a new 52-week low of 6790, the PSEi also rebounded, seeing its first week of positive gain after 6 straight weeks of falling. Unfortunately, foreign selling continues unabated - 37 straight days and counting, a new record.

On the inflation front, rice prices have started to fall. Oil prices have also declined sharply, down more than 7% from their recent highs. This should give consumers some respite from high consumer prices which have persisted for most of the year. However, we have to be wary of potential sanctions on Saudi Arabia due to the Khashoggi murder.

With pressure on emerging markets easing, the peso was also able to stage a recovery. It is now firmly back below the crucial 54 level. If the peso can remain in the 53-54 peso range, it will be a positive for all Philippine assets.

Philippine Stock Exchange Index (PSEi) – 1 year chart

TRADING STRATEGY

Wild swings in equities continued last week as bond yields remain elevated, with investors also wary of growth risks. Fortunately, Chinese stocks have rebounded, which should be good for emerging markets, including the Philippines. We remain on hold as we monitor this volatile market.

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