



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: DEFENSIVE STOCKS

Wild swings and high bond yields continue to hound markets, with both the Dow Jones index and S&P 500 finally swinging into the red last week. There was no relief in sight for emerging markets as EEM is down 26% from its high this year.

For Philippine stocks, next week will be crucial as October inflation comes out on November 6, with 3Q18 GDP being announced just 2 days after. Positive results are needed from both inflation and GDP growth in order for our market to find its footing.

On the corporate earnings front, we expect higher growth in 2H18 vs. 1H18. We note that some banks have shown a recovery in their 3Q18 figures while some consumer companies are still suffering from higher costs and weak revenue growth.

However, we note that the peso has appreciated significantly in the past weeks, now trading at the 53.50 level. If the peso can maintain its strength and stay below 54, it will bode well for both Philippine stocks and bonds.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With US equities swinging into the red for the year, markets around the world continued to remain weak. With inflation and GDP growth figures coming out next week, we remain on the sidelines as we await signs of improvement in the domestic economy.



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