



Vantage *point*

**MARKET OUTLOOK: CAUTIOUS
STRATEGY: OVERWEIGHT PROPERTY, BANKING AND
SELECT CONSUMER STOCKS**

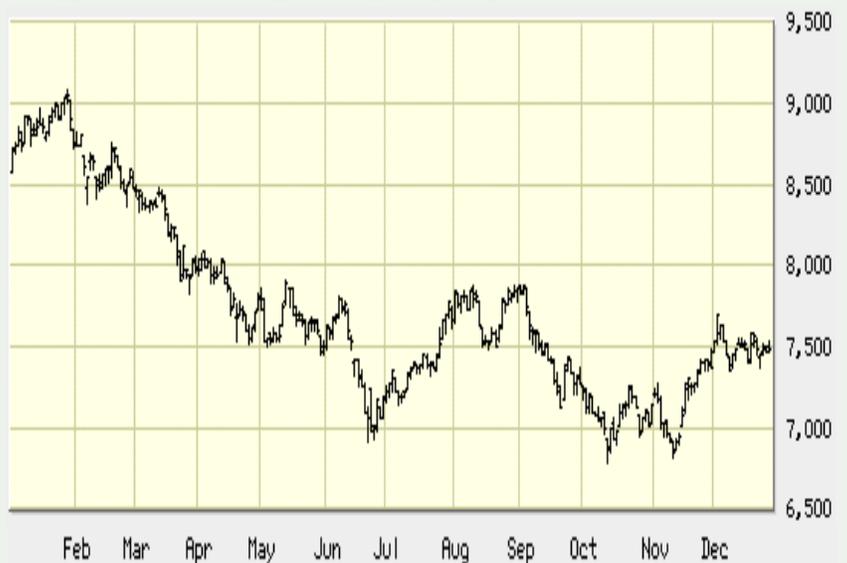
After criticizing the Fed, triggering a government shutdown and trading barbs with China, Trump has changed his messaging as US markets fell sharply. Saying that now is "a tremendous opportunity to buy stocks", Trump is now saying that the Fed is raising rates because the economy is "very strong".

In the past few days, Trump also tweeted that the US and China are "making great progress" towards reaching a trade deal. In fact, the US is sending a team to China for negotiations in January 7. If they are able to hammer something out before the end of the 90-day truce, it should be good for markets.

However, we expect volatility to remain elevated. As can be seen last week, after having its worst Christmas Eve drop on record, the Dow Jones index notched its biggest point gain in history after Christmas. If we look at statistics though, the average US bear market falls 30%. With US markets down as much as 20%, it seems that in terms of magnitude, most of the drop has already unfolded. Also, weakness in US stocks and the dollar may drive flows towards emerging markets as investors look for growth.

Thus, we have been slowly nibbling at quality stocks that are trading at historically cheap valuations and have good growth prospects.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Hopes for a solution to the trade impasse are offsetting growth concerns in the US. Moreover, after falling 20%, US stock markets are bound to bounce. We are slowly nibbling in the market as some quality stocks are trading at attractive valuations.



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