



Vantage *point*

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

Last month, Fed Chairman Powell's seemingly tone deaf statements and Trump's bluster regarding trade brought markets lower. However, things took a dramatic change for the better at the start of the year.

Today, the US trade team will start negotiations with China, with Trump expecting a great deal to be made. Now that we are 38 days into the 90-day truce, it looks like both parties are serious about hammering out a deal that is acceptable to both parties. If a positive conclusion is reached, this will be very bullish for markets.

Powell's statement last week was a sharp contrast to his December pronouncements. When he said that the Fed "will be patient and flexible" regarding monetary policy, US stocks spiked as this allayed fears that higher interest rates will dampen economic growth. This will also serve to weaken the dollar, a boon for the Philippine peso. This is bullish for all Philippine assets.

With concerns over interest rates being alleviated, we expect the market to continue to move higher. What we have to closely monitor are statements and news flow regarding trade, as this can drive markets higher or lower. Domestically, elections should also boost consumer spending and corporate earnings for some companies. That said, we have to monitor the passage of the national budget and its effect on infrastructure spending. Given the steepness of the PSEi's rise, a correction or consolidation is also becoming more likely. While we have already increased exposure, we will be using dips as an opportunity to add to our equity position.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



US-China trade negotiations and dovish statements from Powell boosted market sentiment globally. The PSEi rode this wave, becoming the best performing stock market in the world YTD. We are increasing our exposure to equities as we believe 2019 will be a turnaround year after a disappointing 2018.



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