



# Vantage *point*

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

The PSEi started 2019 with 7 straight days of net foreign inflows amounting to PHP 5.7 billion. This brought our market up as much as 7% YTD, making it the strongest stock market in the world last week.

However, this rally came to an end with Hanjin Shipping's default. The largest corporate default in Philippine history dragged down banking stocks and their associated conglomerates. Though Landbank is not listed and RCBC is a non-index stock, the drop in the stock prices of the Big 3 banks were enough to trigger a correction. While Hanjin's default will not undermine the stability of our banking system, it caused some damage to sentiment for banking stocks.

Despite this, the peso remains very strong as the dollar weakens and foreign inflows come in. We note that the US dollar is broadly weaker against most currencies as Powell turned dovish. If the peso breaks the 52 level, it points towards further strength. This will be bullish for all Philippine assets.

Abroad, the longest ever US government shutdown has caused some concern for market participants. However, what everyone is watching is news flow regarding US-China trade negotiations. Although it seems that both sides have narrowed their differences, there have been no specifics regarding any potential agreement so far. We expect significant trade news to drive the market in the near future.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



The PSEi's strong 2019 start finally came to an end as Hanjin Shipping's default dragged down bank stocks. We remain on hold as we digest developments here and abroad. We will be using dips as opportunities to buy selected blue chip stocks.



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