



Vantage

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

point

The PSEi closed above 8000 for the 3rd time this year on the back of PhP 7.6 billion in net foreign buying (excluding placements). Last week, AC and PGOLD both conducted share placements. One of AC's major stakeholders, Mitsubishi, sold PhP 11.7 billion worth of shares. PGOLD's placement was purely primary shares worth PhP 4.7 billion. Bulk of both placements were absorbed by foreign funds.

Historically, a large amount of share placements over a short period of time tends to divert liquidity away from buying on the board. This can cause the market to correct or consolidate in the short term. If corporates take advantage of the PSEi's strength and conduct placements, the market's rally may take a breather.

Weak Chinese economic data is also a concern as it indicates that growth is slowing down significantly. However, market participants brushed this off and put more weight on US-China trade talks. The longest ever government shutdown also failed to stop the surge in US stocks, which lifted markets around the world. Consequently, the US dollar also strengthened by more than 1% in the past week.

While we have increased our exposure to equities, we are keeping some cash in order to take advantage of dips. This rally has been quite fast and a correction or consolidation may be in order unless a major catalyst emerges.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



The PSEi resumed its rally as hopes of a resolution to the US-China trade war lifted global markets. However, we have to be watchful of more share placements which have the potential to sap liquidity from the market.



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