



Vantage *point*

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

Foreign flows continue to carry the PSEi higher. With all but 2 trading days in 2019 seeing net foreign buying, total foreign inflows YTD already amount to PhP 22.5 billion. As long as foreign funds keep buying, we expect stock prices to be well supported.

However, we expect mixed news flow regarding the US-China trade deal to lead to higher volatility. After a series of face-to-face meetings, US trade representatives are heading to China again in hopes of sealing a deal before the March 1 deadline. Unfortunately, it seems that the much-touted meeting between Trump and Xi before March 1 will no longer happen due to the complexities in ironing out a trade deal. Note that Trump previously signaled that no trade deal will be final unless he meets with Xi first. Moreover, Kudlow said that the US and China are still "far away" from striking a deal. These news caused markets to correct. Thus, we have to closely monitor news on the trade front as these can have a significant impact on stock prices.

Domestically, inflation continues to slow down, with the January figure at 4.4%. We expect inflation to continue slowing down, especially in the second half of the year. Lower inflation expectations and foreign inflows have caused the peso to strengthen significantly, ending Monday at 52.11. A break below this level points towards a short term target of 51.50 and a long term target of 50. Further peso strength will be very bullish for all Philippine assets.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Mixed news flow on trade may lead to higher volatility in the coming weeks. We are now on hold as half of our expected 2019 gains have been made in the first 5 weeks of the year.

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