



# Vantage *point*

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

After hitting a 2019 high of 8213, the PSEi has since taken a breather and is sitting a bit below 8000. Recent index rebalancing caused some index stocks to fall significantly.

While the rally in stocks this year was triggered by Powell's change in tone, the stock market was likewise boosted by expectations that trade negotiations will have a positive outcome. With Trump tweeting that deal is forthcoming and that an extension for the March 1 deadline is likely, investors have been piling into stocks. However, it remains unclear if a far-reaching trade deal is really within reach, especially as intellectual property and technology transfers remain to be a sticking point.

Another matter we have to be concerned about is the country's budget deficit. The 2018 figure puts this at 3.2% of GDP - beyond the prescription of the IMF. This poses a risk to our investment grade credit rating, as well as our peso and consequently, our stock market. If the fiscal deficit remains beyond 3% or even expands, it will not be taken positively by foreign funds.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



With markets pricing in a positive outcome to trade negotiations, markets have started taking a breather ahead of the March 1 deadline for negotiations. However, weak economic data abroad is a risk for equities. Foreign index rebalancing in the coming weeks will also provide short term direction for Philippine stocks.

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