



Vantage *point*

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

Trump's decision not to raise tariffs on \$200 billion worth of Chinese goods was taken positively by markets. Trump's conciliatory tone as well as the "fantastic progress" in trade negotiations touted by his advisers boosted US and China stock markets. However, we note that there are still no specifics regarding a potential trade deal, especially on IP and technology transfers. There was also no deadline set for the extension in negotiations or the suspension of increase in tariffs.

This news was overshadowed by MSCI's decision to increase the weight of China A-shares in its emerging markets index from 5% to 20%. This will lead to a lower weight for all emerging markets, including the Philippines.

Cushioning the weakness in stocks is the peso's strength. With 52 being a crucial chart point, technicals indicate that breaking this support will lead to further strength. Slowing inflation has also helped boost sentiment in the currency. The pause in dollar strength will also benefit all EM currencies, including the peso.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



While a de-escalation in trade tensions was positive for US and China markets, the Philippines was overshadowed by MSCI's decision to raise the weight of China A-shares in its emerging markets index. This rebalancing will be an overhang for the PSEi.