



Vantage *point*

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

With news flow on trade negotiations starting to quiet down, the focus is back to economic data. Unfortunately, we had 3 negative items last week. First, China lowered its growth forecast to 6.0-6.5%. Second, the US reported nonfarm payrolls that missed forecasts by a wide margin, indicating that the economy may be slowing down faster than analysts were expecting. Third, the ECB announced fresh stimulus on the back of EU growth continuing its downward trend.

With all of these happening last week, fears of a global growth slowdown were crystallized, sending equities lower. Bond markets are also reflecting this, with US and European bond yields falling last week.

After breaking the 52 level, the peso is once again back in the 52-53 consolidation range as analysts are expecting RRR and interest rate cuts to happen sooner rather than later.

Given this global macroeconomic backdrop, a cautious stance is warranted. We remain on hold until catalysts emerge or these growth risks are mitigated. Until then, we are maintaining a relatively high cash level.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Growth slowdown fears took center stage on the back of China's downgrade of its growth forecasts, weak US jobs data and continuing growth deceleration in the EU. This weighed on global equities last week. We will be on hold until stock prices become more attractive.



+632 250 8700 | ask@philequity.net | www.philequity.net

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.