



# Vantage *point*

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

Headlines last week were all about the water shortage that gripped certain parts of Metro Manila, specifically those serviced by Manila Water. If this worsens, it will start affecting the stock market, business sentiment and economic growth. Hopefully, the ongoing shortage is alleviated by increasing Manila Water's allocation from 40% to 45%.

At the same time, the peso weakened to as low as 52.97 last week as new BSP Governor Benjamin Diokno said that "the reasonable band for the peso is 52 to 55" and that the exchange rate will be "market determined" with "no intervention as long as it's within the reasonable band." The prospects of 1 RRR cut per quarter and 2 benchmark interest rate cuts within the year are also fueling peso depreciation. Note that the previous expectation was 2 RRR cuts and no change in interest rates for 2019.

If the peso weakens too much against the dollar, Philippine stocks and bonds will look significant less attractive to foreign investors.

Globally, it seems that a meeting between Trump and Xi Jinping is unlikely in the near term. Though negotiations are ongoing, the thorny issue of technology transfers remains unresolved. Thus, a meeting between the 2 leaders was said to be rescheduled from March to April. Now, there is no definite timeline on the meeting. Fortunately, tariffs remain frozen at 10%. While the cloud of uncertainty remains, at least we are not seeing any escalation on the trade front.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Despite strength in global stocks last week, the water crisis and peso weakness caused our market to just end the weak flat. We will be using dips as opportunities to buy.

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