Issue Date: April 2, 2019

Vantage point

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

The US market ended the 1st quarter of 2019 on a strong note. The S&P 500 posted a return of 13.1% for the period, its biggest first quarter gain since 1998 and its best quarterly return since the third quarter of 2009. Markets rallied on the back of optimism regarding trade negotiations, the accommodative stance of central banks, and a bounce from oversold conditions. These developments overcame concerns raised by an inversion in the yield curve, a synchronized global slowdown, and Powell's drastic U-turn from hawk to dove.

Meanwhile, the Shanghai Composite surged 23.9% in the 1st quarter, fueled by the government's fiscal and monetary stimulus. China also reported that its manufacturing PMI rose to 50.8 in March vs. 49.9 in February, a sign that the government's stimulus is gaining some traction.

The PSEi posted a return of 6.1% after trading within a range of 7,600-8,200 in the first quarter. Going forward, central bank policies and a resolution of the US-China trade war will determine the market's direction. Locally, we are closely monitoring the impact of the budget impasse as this can weigh on the country's economic growth.

Philippine Stock Exchange Index (PSEi) – 1 year chart

TRADING STRATEGY

We continue to buy on dips as fears regarding the global slowdown and inverted yield curve were overcame by central bank easing, developments on the trade negotiations, and an improving Chinese economy.

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