



Vantage *point*

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

After a sharp ascent earlier in the year, the PSEi has been locked in a consolidation for about 2 months already. With no major catalyst for stocks in the past months, 1Q19 earnings may be the primary factor determining the movement in stocks.

So far, some companies have been issuing guidance regarding 2019 earnings. However, actual results a few weeks from now may lead to more volatility. After 6% earnings growth in 2018, we are forecasting 9.5% earnings growth for the PSEi this year. While this is an acceleration from last year, note that we are coming from a low base.

The peso's recent strength has been one reason that our stock market is holding up despite some domestic risks that emerged, such as the water shortage, potential power crisis and the delay in passing the 2019 budget. We believe that other than less dovish BSP statements, an EM carry trade may be partly behind the peso's strength.

On the foreign front, though the trade deal is said to be 90% complete, it looks like both sides are busy ironing out details on implementation and enforcement. The final form of the trade deal may have a significant effect on markets. At the very least though, a resolution will be positive for global growth expectations and therefore, equity prices. That said, we remain wary of MSCI rebalancing in May. We will be using dips as opportunities to buy.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



An abbreviated trading week saw the PSEi still locked in a tight trading range of 7700-8000. We expect 1Q19 earnings and guidance to drive the market in the coming weeks. We will be adjusting our portfolio accordingly.



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