



# Vantage *point*

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

The S&P 500 and Nasdaq both notched new all-time closing highs as strong earnings from corporates, especially tech heavyweights, lifted US equities. However, we note that most markets are still far from their records, like the PSEi which still needs to gain 15% to hit its closing high of 9058.

Regarding corporate earnings, we note that companies reporting full year 2018 income have given mixed guidance regarding their prospects in 2019. So far, banks have been reporting good 1Q19 earnings, either due to trading gains (BDO) or strength of the core banking business (BPI). Over the coming weeks, we expect 1Q19 earnings reports to drive stock prices.

Despite the PSEi going nowhere for 2 months now, the Philippine peso has been quite strong. Trading close to 52, it has been the beneficiary of the carry trade and lower inflation expectations. However, we have to keep a close eye on oil. With WTI oil up 50% from its December lows, there is significant upside risk to Philippine inflation. If oil prices continue to remain elevated, it may weigh on the current account deficit, Philippine peso, domestic consumption and GDP growth.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



As US equity markets made new all-time closing highs last week, the PSEi remains locked in a tight consolidation. Earnings guidance from companies are mixed so far. With foreign inflows taking a pause in April (ex-blocks), we are waiting for dips to add equity exposure.



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