



Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: PROPERTY AND BANKING STOCKS

Investors heaved a sigh of relief as the talks between Trump and Xi did not lead to any further escalation of the trade war. After the G-20 meeting, Trump also announced that negotiations are restarting, there will be no additional tariffs in the meantime and that the US will allow Huawei to buy products from US companies again.

However, we note that this is more of an uncertain pause than a move forward. Economic Adviser Larry Kudlow clarified that Huawei will remain in the US' entity list and that Huawei will only be allowed to make purchases if they do not pose a national security threat. Thus, we still have to continuously monitor developments regarding the trade deal.

Domestically, we saw two significant transactions in the market. One was Filinvest Development Corporation buying out Invesco's 5.2% stake in Filinvest Land worth PhP 2.2 billion. The other was SM buying \$100M of Khazanah's \$220M block in BDO. Two buyouts happening in one week is a positive not just for these respective stocks, but also the markets as a whole as it shows that owners are willing to buy at these price levels.

As for the peso, it has appreciated by 1.5% against the US dollar in the past 2 weeks as the Fed's dovishness allowed nearly all currencies to strengthen against the dollar. This bodes well for the peso, which is now headed to 51 after breaking the crucial 52 level. A strong peso will benefit Philippine stocks and bonds.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With negotiations restarting and no additional tariffs declared after the G-20 meeting, a major risk was taken off the table in the short term. However, much uncertainty remains. Thus, we are increasing exposure but on a very selective basis.



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