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Vantage *point*

MARKET OUTLOOK: CAUTIOUS
STRATEGY: PROPERTY AND BANKING STOCKS

Last Friday, the US released nonfarm payrolls data. June figures came in at 224,000, way above forecasts of 160,000. While this is a positive development for the US because it shows that growth is strong, its repercussions on asset markets is mixed.

With strong economic data coming out of the US, traders dialled down their expectations of a US rate cuts. This caused the dollar to spike last Friday. This will weigh on all emerging market currencies, including the peso. Consequently, non-export oriented Asian countries may see their stock markets correct if their currencies weaken.

Fortunately, with the peso appreciating all the way to 51, our currency has a lot of breathing space to weaken before it becomes a concern. We note that peso strength has also helped underpin the PSEi despite continuous foreign selling. In the past 3 weeks, we have only seen 3 days with net foreign buying.

We also have to be wary of the intensifying crackdown in HongKong protests, as well as recent high profile arrests of prominent CEOs in China. Sharp corrections in these markets may affect the entire emerging market complex.

On the trade front, Trump and his negotiating team mentioned that talks have restarted and that current actions are bullish for the US stock market. As previous months have shown though, we have to closely monitor events as the trade war can go either way.

Philippine Stock Exchange Index (PSEi) – 1 year chart

TRADING STRATEGY

Very strong US jobs data last week caused Fed rate cut expectations to drop and the dollar to spike. This will weigh on emerging market equities in the near term, including the Philippines.

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