

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF



TEL: +632 250 8700 | WEB: WWW.PHILEQUITY.NET | EMAIL: ASK@PHILEQUITY.NET

MARKET OUTLOOK: CAUTIOUS

STRATEGY: OVERWEIGHT SELECT BANKING STOCKS

TECHNICALS: SUPPORT AT 7500 FOLLOWED BY 7200, RESISTANCE AT 8200

During the long break, investors were buffeted by a wave of bad news regarding the trade war and a volley of tweets from Trump. After announcing potential retaliation to Trump's additional tariffs, China finally gave specifics. On August 23, China announced it will be implementing 5-10% tariffs on \$75 billion worth of US imports on September 1 and December 15, mirroring the same start dates for US tariffs on Chinese products.

This caused Trump to go into a frenzy on Twitter. In a barrage of angry tweets, he announced that existing tariffs on \$250 billion worth of Chinese products will rise from 25% to 30%, while the September 1 set of tariffs will be raised from 10% to 15%. This blindsided investors who were not expecting the trade war to suddenly escalate.

However, the Dow Jones 600-point drop caught Trump's attention. Similar to what he has done in the past, he asked Treasury Secretary Steve Mnuchin to give positive comments regarding trade in order to boost sentiment. Trump also said that China called him twice and they are ready to go back to the negotiating table. The Dow Jones index rebounded more than 300 points, although this tapered off as China denied that there are new high level talks with the US.

This tit-for-tat cycle of retaliation, coupled with flip flops from the Trump administration, are certain to whipsaw traders. Domestically, the crackdown on POGOs is adding to the bearish sentiment, with property stocks continuing to drop. Since it is impossible to get into the mind of Trump, it is best to have a more defensive portfolio and just buy on dips.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Trade news over the long break caused markets to gyrate sharply. With MSCI rebalancing yesterday, we expect a rough ride for Philippine stocks in the near term.