

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF



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MARKET OUTLOOK: CAUTIOUS

STRATEGY: OVERWEIGHT SELECT BANKING STOCKS

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

On September 1st, the US finally implemented 15% tariffs on more Chinese products, while China implemented their own counter tariffs of 10% on \$75 billion worth of US products. This is a clear sign that the trade war is far from over.

Offsetting this negative sentiment is Trump's announcement that September negotiations are still a go, with both sides technical teams still in communication. China also issued a conciliatory statement, saying that they want "to negotiate calmly" and that there will be no additional retaliation in the meantime.

The US yield curve is reflecting fears of a trade war-triggered global slowdown. The US yield curve continues to remain inverted, with the US 30-year bond yield hitting an all-time low. While this is not necessarily a negative for stocks, it indicates that investors are expecting a slowdown or recession in the future.

Domestically, there is good news for POGOs. After Duterte's trip to China, it was announced that China will respect our sovereignty as regards the operations of POGOs. While operations will not be stopped, the government will no longer issue new licenses. There are currently 58 POGO operators in the country.

Now that we are in a seasonally weak period for stocks, we expect markets to be driven primarily by news on the trade front. Hopefully, this can be offset by heavy infra spending which will lead to 3Q19 GDP growth of above 6%.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



A mix of good and bad news on trade have led to sharp swings for markets. All eyes will be on negotiations that Trump said are pushing through this month. Amidst this volatility, we are selectively buying on dips.