

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

Despite tariffs going into effect last week, markets held their ground as there is hope for a "breakthrough" on trade. Midlevel staff of US and China are expected to communicate regularly in September ahead of a meeting in Washington, DC in the first week of October. The editor-in-chief of a Chinese newspaper said that this meeting may actually yield a "breakthrough", rekindling hopes of a trade deal.

Domestically, the Philippines is seeing inflation continue to move lower, with the last reading at 1.7%. BSP's reserves are now at an all-time high of \$85.6billion. Because of these, the peso reversed its weakness in August and is now trading below the 52/\$ level.

Also worth watching is the passage of the CITIRA bill and other measures for fiscal rationalization. So far, the business sector has mixed feelings regarding the removal of certain fiscal incentives.

While Philippine stocks have recovered from their lows, we expect markets to remain locked in a consolidation until October. Definitive news on trade during that time will determine the next move for all asset classes.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Hope for a trade deal coupled with strong domestic data boosted Philippine stocks. We expect stocks to consolidate close to the 8000 level until the October meeting between US and China. We are selectively buying on dips.