

MARKET OUTLOOK: CAUTIOUS **STRATEGY: BANKING STOCKS**

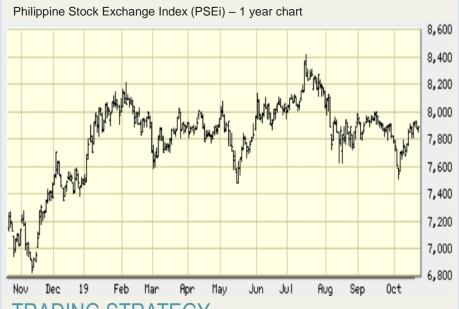
TECHNICALS: SUPPORT AT 7500 FOLLOWED BY 7200, RESISTANCE AT 8200

After spiking on news of a partial trade deal, markets are once again back to their sideways movement as investors realized that there is still much work to be done. Despite Trump announcing that a trade deal is likely by the middle of November, past events indicate that nothing is certain until both parties have signed an agreement.

We note that despite prospects of a trade deal, Fed fund futures are now practically pricing in another Fed rate cut within the year, causing the dollar to weaken recently.

This has rebounded to the benefit of the peso, which is benefitting not just from dollar weakness, but its own inherent strength as well. In this low interest rate environment, the search for yield has led foreign investors to countries such as the Philippines. The significant inflow into bonds is one of the main reasons behind the peso's strength. With the 51.50 level broken, technicals are pointing to a move towards 50.50-51.

Despite the peso's strength though, the PSEi remains locked in a consolidation 8000. between 7500 and Dovish statements from BSP Governor Diokno have also failed to ignite a rally in the broad market as it seems foreign flows are going into bonds, not equities. Now that earnings season has started, we are waiting for more results to come out before making major portfolio adjustments.







After spiking on optimism over a partial trade deal, markets are once again listless as investors await further developments. We remain on hold as news regarding trade remains mixed.

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