

# Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

**MARKET OUTLOOK:** NEUTRAL

**STRATEGY:** OVERWEIGHT SELECT BANKING STOCKS

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

MSCI rebalancing finally concluded with a total of PhP 12 billion in foreign outflows. As of this writing, this has caused the PSEi to lose 4.3% since the announcement. Unfortunately, the foreign selling continues even after the rebalancing, putting further pressure on Philippine stocks.

News of Trump signing 2 HK-related bills into law also sapped bullishness from markets as this puts the Phase One trade deal in peril. Note that they must sign an agreement before December 15, lest the US raise tariffs on the remaining \$160 billion worth of Chinese goods that are not yet taxed. This action comes after Trump saying that the trade deal is in its "final throes."

Fortunately, we are not likely to see further MSCI rebalancing in favor of China next year. MSCI outlined a host of issues that China has to fix before they even consider adding more shares. This should benefit emerging markets as a group, including the Philippines, as we will not see any more of the forced foreign selling which we experienced this year.

With many stocks already at cheap valuations, it may be time to buy those without any fundamental impairment and have growth catalysts. We are entering a seasonally strong period for stocks, so unless there is a hitch regarding the Phase One trade deal, we may see an upswing heading into January.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Foreign selling continues despite the conclusion of MSCI rebalancing, further increasing the PSEi's underperformance vs. US and other Asian markets. We do not expect further increases in China's weight in MSCI EM next year. Moreover, we are entering a seasonally strong period for stocks, so dips are an opportunity to buy stocks with growth catalysts.