



Vantage *point*

**MARKET OUTLOOK: CAUTIOUS
STRATEGY: FINANCIAL SECTOR**

After quieting down for a while, prospects of a trade war loomed again as Trump announced potential trade tariffs specifically targeting China. Moreover, the new chief economic adviser, Larry Kudlow, is supportive of China tariffs although he has pushed back against broad tariffs against US allies. So far, other countries have not launched significant retaliatory measures.

High profile departures from the Trump White House also continued as Secretary of State Rex Tillerson was removed and replaced with CIA Director Mike Pompeo. This adds to the perception that Trump's team is in significant disarray.

While these have no significant economic impact, it does dampen sentiment ahead of the Fed's policy meeting on March 20-21, when it is expected to raise interest rates by 25 bps. Markets will be closely watching the Fed Chairman Powell's statement regarding future policy moves.

On the Philippine front, FTSE rebalancing which concluded last Friday resulted in significant net foreign outflows. Last week alone, net foreign selling was PhP 6.5 billion, bringing the YTD foreign outflows for Philippine stocks to PhP 23.5 billion. We note that in dollar terms, the PSEi is the worst performing Asian market, down nearly 8% YTD as of Friday.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With the US announcing a potential China-specific tariff and high profile resignations from the White House, we expect global market jitters to continue. We nibbled a bit in the market but continue to maintain a healthy cash balance.



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