Issue Date: April 17, 2018 antage point **MARKET OUTLOOK:** CAUTIOUS **STRATEGY: DEFENSIVE STOCKS**

With global markets moving based on statements from Trump and China, expect volatility to remain high. While President Xi jinping's conciliatory tone in his speech last Tuesday calmed markets, White House officials maintained their combative protective rhetoric. There are also reports that the US will

announce the details of its additional \$100 billion in tariffs against China. This caused markets to sell off towards the end of last week.

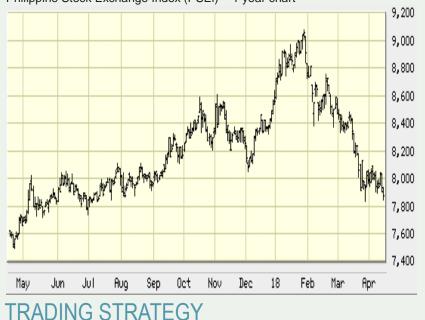
Further adding to the volatility is the coordinated strike against Syria which is pitting the US, UK and France against Russia, Iran and Syria. Chian has also stepped into the picture by joining Russia in voting for a UN Council Security resolution condemning the attack. With actual armed conflict now escalating in the Middle East, markets may become even more volatile.

Fortunately, it looks like the peso has stabilized at the 52 level. However, foreign selling is nearly uninterrupted, with April net foreign selling amounting to PhP 3.3 billion as of last Friday.

As for the index, support of 8000 failed to hold. Next support levels lie at 7800 then 7400. Until such point that foreign selling stops, it will be very difficult for our market to recover.



Philippine Stock Exchange Index (PSEi) - 1 year chart



With the tit-for-tat between the US and China showing no signs of resolution, markets have remained quite fearful. Unfortunately, their fears were compounded by geopolitical risk in the form of actual armed conflict in Syria. Expect these to cause markets to become even more volatile. Thus, we are maintaining a healthy cash balance as a buffer against the heightened volatility.

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