



Vantage *point*

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

After a few weeks of calm, volatility returned. This time, it is courtesy of Trump and his announcement to slap a 25% tariff on steel and 10% tariff on aluminum. This has the potential of sparking a trade war, with some countries considering retaliatory measures.

This rhetoric alone is enough to scare investors who fear that a real trade war is imminent. If this escalates, this may throw a wrench into the synchronized global expansion that is fuelling our bull market.

Fed Chairman Jerome Powell's appearance at Congress have also added to volatility as his dovish prepared statement was overshadowed by his hawkish stance during the Q&A, even implying that 4 rate hikes is a possibility this year.

With these new factors driving the market, it looks like this ongoing correction will take some more time. Though market valuations have come down significantly, more risks have materialized. We will closely monitor these developments given the potential of trade protectionism to derail global economic expansion and the bull market in stocks.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



As global equities have started recovering, a potential trade war has rattled markets once again. This will have significant negative ramifications if it escalates, so we are maintaining a healthy cash balance.