



Vantage *point*

**MARKET OUTLOOK: NEUTRAL
STRATEGY: DEFENSIVE STOCKS**

After losing 2.8% last week due to fears of a potential contagion from Turkey, the market rebounded sharply on news that Trump and Xi Jinping will be meeting at the end of the month. With the trade war concerns hounding the markets, hopes for a resolution electrified stocks.

Note that despite lackluster corporate earnings, the PSEi managed to find support at the 7,500 level. With only the property sector delivering above forecast earnings, our market has been surprisingly resilient. However, our market may break the 8000 resistance level if the trade war officially ends or if corporate earnings growth recovers.

As for the peso, it has stabilized between the 53-53.50 level as the BSP has signaled that more rate hikes are forthcoming until inflation is put under control. This bodes well for the Philippine economy, peso and stock market. Note that the peso is holding despite the DXY breaking out. Strengthening below 53 will be bullish for the peso.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Despite jitters caused by Turkey, news of a meeting between Trump and Xi gave markets hope that the trade war may come to a peaceful resolution. We have increased equity exposure selectively, specifically stocks that reported above forecast earnings.



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