## Issue Date: November 6, 2018 antage voint **MARKET OUTLOOK:** CAUTIOUS **STRATEGY: DEFENSIVE STOCKS**

After very poor October performance, global markets were able to stage a strong recovery to close the month. The techheavy Nasdag plunged 9.2% in October, its worst monthly performance since November 2008. The S&P 500's 6.9% October loss was its biggest since September 2011. Fortunately, the Dow Jones index put an end to these losses with a 3-day, 960-point rally last week.

Markets continued their wild swings last week as they rose on Trump's tweet regarding trade where he said he "had a long and very good conversation with Xi Jinping." Coupled with reports that he asked the Cabinet to draft a trade deal with China, markets rose last Thursday on hopes that the trade war may finally come to an end.

Unfortunately, this turned out to be electioneering ahead of US midterm elections on November 6 as chief economic advisor Larry Kudlow quashed these rumors, saying that they "are not on the cusp of a deal." This caused markets to reverse Friday's gains and end in the red. What this goes to show is how positively markets will react if and when the US-China trade war ends.

Domestically, we are in the midst of earnings seasons, but early results have been mixed so far. What is giving strength to the market is the peso's recent strength which came despite dollar strength and weakness in the ASEAN currencies. Moreover, the record 44-day streak of net foreign selling finally ended last



Global markets whipsawed on conflicting trade news last week. Nonetheless, the strong peso should provide support for Philippine stocks ahead of US midterm elections, as well as crucial inflation and GDP data releases this week.

Wednesday. While it remains to be seen if this is a reversal in foreign outflows or just a pause in selling, it is enough to give our market the breather it needs to recover.

Thus, this week will be crucial for the market's direction as October inflation and 3Q18 GDP are scheduled to be released. The recent drop in oil prices as well as government efforts to tame inflation should help put a peak on rising consumer prices. We patiently await the data release, as these numbers may well determine where the market will go in the near term.

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