



Vantage *point*

MARKET OUTLOOK: CAUTIOUS STRATEGY: OVERWEIGHT PROPERTY, BANKING AND SELECT CONSUMER STOCKS

After trade war news took center stage, investors have now turned their attention to global growth. Many economists have warned that we are in for an economic slowdown next year. Slower US growth and weak economic data out of China bolster this argument. Moreover, some analysts are expecting the US-China trade war to drag on. As a result, all major US equity indices broke crucial support levels and have formed bearish technical formations.

Thus, we should pay close attention to the Fed's policy action and statement on Thursday. We will be getting an indication of their growth forecasts and expected interest rate trajectory. A more dovish Fed should be good for equities. However, if they downgrade their growth forecasts significantly, it might further stoke fears of slower growth.

Fortunately, the PSEi has outperformed despite the volatility abroad. Our market has been up for 5 straight weeks and is holding at the 7,500 level. This is due to inflation finally being contained as well as the peso's relative strength. However, Philippine stocks cannot be fully insulated from the moves of global stocks. We also have to monitor whether a new budget can be passed in time as this will have a significant impact on our 2019 GDP growth.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With the US stock market breaking key support levels due to global growth concerns, we expect sentiment to remain negative. However, we note that the Philippines is relatively strong despite weakness in global markets.

