



# Vantage *point*

**MARKET OUTLOOK: NEUTRAL**  
**STRATEGY: OVERWEIGHT CONGLOMERATES,**  
**PROPERTY AND SELECT CONSUMER STOCKS**

Fed Chairman Powell delivered exactly what investors were looking for when he said that the Fed will have a "patient" approach regarding interest rates. He added that "the case for raising interest rates has weakened somewhat." These simple words sparked a global rally for equities.

With the Fed signaling that interest rates will rise less than expected, the US dollar weakened against most currencies. This drove flows into EM assets, both currencies and equities. Part of these flows also went to the Philippines, which is seeing PhP 16 billion in net foreign buying YTD.

The next big event is the US-China trade meeting. After meeting with Vice Premier Liu He, Trump says that a final deal will only be reached after meeting President Xi Jinping. With both sides making efforts to bridge their differences, markets have started pricing in a positive outcome for trade negotiations.

Thus, the PSEi has continued rallying as foreign flows continue to pile into index stocks. Though a correction or consolidation is likely, this rally will only sputter out if foreign inflows slow down. While our funds still have some cash, we have significantly increased equity exposure.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



With Fed Chairman Powell maintaining his "patient" stance, markets worldwide cheered. We increased our equity exposure as we expect bullish sentiment and a weaker dollar to result in increased foreign inflows.



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