



# Vantage

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

## *point*

With foreign inflows slowing down and index rebalancing coming into effect, the PSEi has now logged its 2nd straight weekly loss this year. Considering that we had a blistering rally at the start of the year during a seasonally strong period for stocks, it was only a matter of time before the benchmark index took a pause.

Globally, it is news on trade that is driving the market. From being "miles away" to having a trade deal, news flow indicates that both sides have reached a "consensus in principle" and that "much progress has been made". With talks moving back to the US again after meeting in China last week, Trump has indicated that he may extend the deadline by another 60 days if it is clear that both sides are moving in the right direction.

If a deal is indeed reached, this will be bullish for equities. However, we have to be wary of any disappointments on trade as the market is already pricing in a positive outcome to the current round of negotiations.

Yesterday, PSEi index rebalancing becomes effective, with BLOOM replacing PCOR. There were downweights for most index stocks, with TEL losing the most weight. AC, SMPH and AEV saw inflows as their weights were increased. This had a net negative impact on the PSEi. We should also be wary of future rebalancing by foreign institutions in the coming weeks.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Markets are heaving and hawing based on trade news flow, which has been more good than bad recently. However, index rebalancing last Friday weighed on the PSEi, as will MSCI rebalancing at the end of the month.