



# Vantage *point*

**MARKET OUTLOOK: CAUTIOUS  
STRATEGY: OVERWEIGHT PROPERTY AND SELECT  
CONSUMER STOCKS**

Shortly after the US yield curve inverted, we saw strong PMI figures from US and China. This sent bond yields and equity prices higher as fears of a near term economic slowdown were mitigated. However, we note that data out of Europe remains weak.

Another catalyst for the market was the flurry of positive news flow regarding the US-China trade deal. The deal is reportedly 90% complete, with the remaining 10% being about enforcement and implementation. China is reportedly being given until 2025 to comply with the agreement, which shows the US is giving China some headroom to make reforms. Trump also mentioned last night that in the next four weeks, "we will know if there is a deal... but we are getting close." This rekindled bullish sentiment in equities.

On the local front, statements from BSP Deputy Governor Diwa Gunigundo helped shore up the currency. He said that the "RRR cut last year resulted in significant weakening of the peso... and worsened actual inflation and inflation expectations." He added that "prematurely lowering RRR could hurt growth even more". Thus, only "if the lowering inflation trend continues will there be talks about monetary space or lowering interest rates." These statements combined with dropping inflation caused the peso to strengthen to nearly 52 - a boon for all Philippine assets.

With 1Q earnings coming up soon, we will remain on hold as we await further developments on the US-China trade deal and index rebalancing.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Strong economic data out of US and China combined with positive news flow on trade talks boosted markets this week. Domestically, less dovish rhetoric from the BSP led to a stronger peso, which benefitted Philippine stocks. We remain hold as we wait for opportunities to buy.

[+632 250 8700](tel:+6322508700) [ask@philequity.net](mailto:ask@philequity.net) [www.philequity.net](http://www.philequity.net)

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.