

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF



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MARKET OUTLOOK: CAUTIOUS

STRATEGY: OVERWEIGHT SELECT BANKING STOCKS

TECHNICALS: SUPPORT AT 7500 FOLLOWED BY 7200, RESISTANCE AT 8200

Over the weekend, reports came out that the Trump administration officials are considering investment restrictions on China. It remains to be seen if these measures will push through and how they will be implemented. The restrictions may include a weight reduction of Chinese equities in widely-tracked equity indices and the mandatory delisting of Chinese stocks listed in the US. If implemented, these restrictions may provide another dangerous escalation to the US-China trade war and can weigh on market sentiment, even as both countries are scheduled to resume face-to-face talks next month.

Meanwhile, oil prices have pulled back from their recent spike and are trading close to levels seen before the attack on Saudi's oil refinery. This has enabled the Bangko Sentral ng Pilipinas (BSP) to implement a 25 bps cut in its policy rate and a 100 bps reduction in the reserve requirement ratio (RRR). The central bank expects September inflation to further slow to 1.4% from 1.7% in August.

The peso has strengthened recently despite the breakout of the dollar index past 99 and the BSP's twin cuts (policy rate and RRR). Coming from 52.17 last week, the peso is now trading at 51.75. The peso appreciation bodes well for stocks and may give the central bank room to implement further cuts in reserve requirements.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



We remain on hold as we await further developments on the trade front and the resumption of face-to-face talks between the US and China.