

# Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF



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**MARKET OUTLOOK:** NEUTRAL

**STRATEGY:** OVERWEIGHT SELECT BANKING STOCKS

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

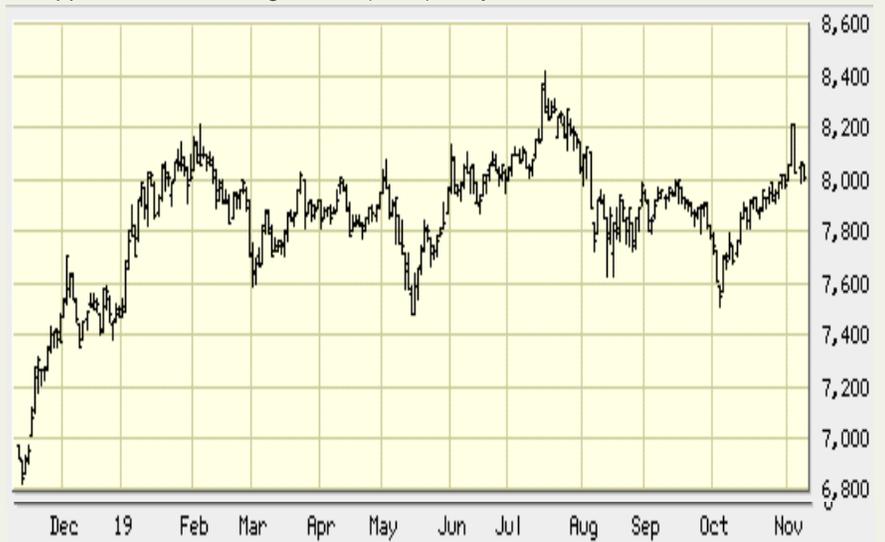
News of a reciprocal, phased rollback of tariffs by US and China sent US equities to fresh highs last week. This buoyed global markets as well. However, towards the end of the week, Trump quashed these rumors, saying that he has yet to agree to China's proposal. Moreover, it seems that the Phase One trade deal may be delayed by a month.

MSCI also announced its last rebalancing for the year last Friday. With the inclusion of 189 new Chinese companies into MSCI EM indices, some companies would get excluded from their respective indices. In the Philippines' case, it turned out to be DMC and AGI. Upon announcement, these stocks were sold down as much as 7%.

On the Asian front, HK protests seem to be taking a turn for the worse as police started using live bullets, which has led to the death of at least one protester. This will roil HK equities which may drag down sentiment for Asian stocks. Coming at a time when MSCI rebalancing is being executed, it gives foreign funds less reason to buy Philippine stocks.

Offsetting these is the strong peso and this time being a seasonally strong period for stocks. Thus, we will be using this time to rotate the portfolio as 3Q19 earnings come in.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



The global rally in equities may take a pause as Trump quashes positive trade news and HK violence escalates. We lightened selectively due to MSCI rebalancing as well.