

Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF



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MARKET OUTLOOK: CAUTIOUS

STRATEGY: BANKING STOCKS

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

Recent news indicates that the US and China are getting closer to finding a consensus regarding trade with the Phase One deal said to be partially complete. Trump reiterated that he expects the deal to be ready for signing during the G20 summit in Chile on November 16.

Markets are also practically pricing in another rate cut before yearend, which is bullish for equities. Taken together, this caused the S&P 500 to close just 3 points below its all-time closing high and was just <1 point away from its intraday high. If US markets continue their trek to record highs, it should lift global stocks, including the Philippines.

The Philippine peso's surge continues, even going below 51 before the BSP's early announcement of another RRR cut. The peso's strength should eventually benefit the PSEi if foreign flows come back into equities. So far, flows have mostly been going to bonds. As for the RRR cut, it is benefitting banks as can be seen in their strong earnings, giving a lift to our market. While bank earnings are good, earnings of other sectors have so far been mixed.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Prospects of a trade deal by the middle of November pushed US markets close to their all-time highs. We remain on hold as we monitor trade news and incoming earnings reports of Philippine stocks.