

# Vantage Point

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.

## MARKET OUTLOOK: NEUTRAL

**SECTORS:** OVERWEIGHT SELECT BANKING AND PROPERTY STOCKS

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

With the December 15 deadline for tariffs just a week away, negotiators from US and China are racing against time to get a Phase One deal signed. However, just as negotiations heave and haw, headlines in the past weeks have alternated between "getting closer to a deal" to "Trump can wait till November 2020 before signing a deal".

With market movement tied to trade headlines, it is fortunate that the most recent news is that both sides are getting closer to a deal. Though there may be disagreements on agricultural purchases, it seems the US is willing to discuss a rollback in tariffs. China continues to say that any Phase One deal is contingent on tariffs being rolled back.

Domestically, regulatory risk has weighed on water utilities (MWC and Maynilad) and their parent companies (MPI, DMC, AC). With 3 of these 4 stocks being in the index, the PSEi has been in the red the past few days despite Asia rising as a group.

November inflation is still benign despite being slightly ahead of forecasts at 1.3%. Peso strength and low prices for oil & agricultural products are keeping inflation capped. Barring any price shocks, inflation should stay well within the BSP's target range. This gives the BSP room to cut interest rates, if necessary.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Conflicting trade headlines have caused markets to become more volatile in the past weeks. So far though, the most recent news indicates that the US and China are getting closer to a deal. However, regulatory risk has weighed on certain index stocks, causing the index to underperform. We are underweight these stocks and we remain on hold as we await more news regarding trade.