



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUS  
**STRATEGY:** DEFENSIVE STOCKS AND SECOND LINERS  
WITH GOOD GROWTH PROSPECTS

Last week, the peso touched the crucial level of 50/\$ due to anti-West rhetoric and the strengthening dollar. Down 6% YTD against the dollar, the peso is the worst performing Asian currency after China. With the peso weakening substantially, equities may also underperform.

Despite the PSEi's attempts to rally, foreign selling has continued unabated. Last week alone, foreign selling amounted to nearly 4 billion. At the low last week, the stock market had also erased all of its gains for the year. This is also a result of uncertainty over Donald Trump's policies and cabinet appointments. Nervousness over these will lead to more volatility in the near term.

Note that the stock market is falling despite our 7.1% 3Q16 GDP growth, the highest in Asia. Valuations have also become more reasonable, with the PSEi now trading at 16.3x 2017 P/E. However, until such point that foreign fund selling abates, the stock market may have difficulty rebounding.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

## TRADING STRATEGY



With the peso hitting the 50/\$ level and foreign selling continuing unabated, we maintain our defensive stance as we keep healthy levels of cash.

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