

WITH GOOD GROWTH PROSPECTS

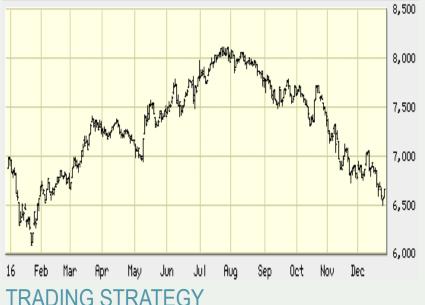
Last week, US stock indices continued to reach new all-time highs on the back of bullishness regarding US president-elect Donald Trump's pro-business policies. Trump's plans to engage in massive infrastructure spending, loosen existing regulations, effect lower corporate taxes and create more jobs in the US have caused

US stocks to surge, led by banking and infra stocks. As of Friday last week, the Dow is up 8.7% since Trump's election and is now up 14.4% year-to-date.

Meanwhile, the PSEi is down 8.9% since the US election and 18.1% from its all-time high. Moreover, the PSEi is down 4.2% year-to-date, making the PSEi one of the worst performers among emerging market indices. Concerns about the effects of potential anti-immigration and protectionist policies by Trump have been identified as threats to the country's OFW and BPO sectors. Aside from this, the continued strength of the US dollar is seen as a major headwind for many emerging market countries, including the Philippines. These are exacerbated by the negative local news flow and political noise. In light of we maintain our defensive these. positioning as we keep a healthy cash level.

This week, many fund managers will be on vacation due to the Christmas holidays. Thus, foreign selling may abate and cause certain stocks to bounce. Coupled with yearend window-dressing, we may see a stock market rally that may last until the early parts of January.

Philippine Stock Exchange Index (PSEi) - 1 year chart





continue to monitor We the performance of the USDPHP, as the peso has fortunately staved below the 50 threshold. However, over the medium to long term, sustained US dollar strength may lead to substantial weakness in the peso. We are also closely watching the

peso's performance versus its regional peers. We therefore maintain our defensive positioning with a healthy cash level.

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