



# Vantage *point*

**MARKET OUTLOOK: NEUTRAL**  
**STRATEGY: SELECTIVE BUYING ON CONSUMER AND INFRASTRUCTURE STOCKS**

Stocks continued their march higher last week, with the PSEi going as high as 7,402 on the back of foreign inflows. However, after its blistering rally, the index pulled back, ending the previous week flat.

Foreign flows during this 2-week rally amounted to PhP 3.4 billion, a stark reversal from the foreign selling up until Christmas. With 50% of trading volume still being accounted for by foreign funds, the sustainability of foreign inflows will determine how strong our market's recovery will be.

The peso has also been consolidating between 49.50 and 50 ahead of Trump's inauguration. Our currency's reaction to Trump's policies also bears watching as it is still dangerously close to the crucial 50-level.

Concerns over the passage of the comprehensive tax reform package may also take center stage as the economic team is pushing for it while legislators have voiced opposition to increased taxation. While this is a significant catalyst for our market, it also poses a risk if there is disappointment.

With all eyes now on Trump's inauguration on Friday, equity markets globally have been range bound. We remain on hold as we await his pronouncements and the resulting price action.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Foreign outflows have abated, causing the PSEi to hit 7,400 before taking a breather. We expect markets to consolidate ahead of Trump's inauguration. With significant policy uncertainty here and abroad, we remain on hold.