



# Vantage *point*

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

Trump's recent travel ban created a firestorm of protests and condemnation from all sides. This caused global markets, especially in the US, to become jittery for a few days. However, despite this, the US stock market rebounded towards the end of last week.

With above forecast nonfarm payrolls and Trump's new order to start repealing the Dodd-Frank act, US equities were electrified, especially financial stocks. While this would normally also lead to dollar strength, Trump has been talking down the dollar - a positive for emerging market currencies and equities.

This combination of strength in US stocks without strength in the US dollar creates a sweet spot for global equities, especially emerging markets. If US dollar strength stalls or reverses, new highs in the US may end up lifting all boats.

With no near term catalysts, we expect the Philippine stock market to consolidate ahead of corporate earnings and any sign of progress regarding the passage of the comprehensive tax reform package.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY

Despite policy jitters, US equity markets ended last week close to all-time highs. Combined with a pause or possible reversal in dollar strength, this should be bullish for stocks globally, especially those in emerging markets. We are also moving from deflation to reflation - another positive for equities as an asset class. Now that Trump has started rolling out his policies, markets are now assessing which should be given more weight - pro-growth economic policies or populist policies on anti-immigration, trade and protectionism. This should contribute to volatility moving forward. However, we believe the current macroeconomic backdrop is supportive of stock prices, so remain cautiously positive as we await significant catalysts, such as the passage of the comprehensive tax reform package.