



Vantage *point*

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

After making new high after new high, the US finally experienced a significant correction. Trump suffered his 2nd major policy setback after the Republican-backed Affordable Healthcare act failed to pass in Congress, effectively maintaining Obamacare. Thus, its failure cast doubt on how quickly Trump can implement his pro-business policies, especially those on tax reform.

With the Dow Jones falling 1.5% last week, it logged its biggest weekly loss since September 2016. Though this is hardly a painful drop, US equity index futures are indicating that these losses may continue this week. Bond yields have also continued dropping since the Fed meeting as there are fears that economic growth may not be as fast as expected.

Another casualty has been the US dollar. It weakened quite sharply, sending the euro and yen higher, along with other Asian currencies. Unfortunately, the Philippine peso continues to underperform on a YTD basis and stays stubbornly above the 50/\$ level. Given the volatile investment environment now, we maintain a defensive stance.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With policy uncertainty in the US triggering the sharpest weekly correction for US equity indices since September 2016, it is likely that volatility may spill over to the rest of the world. We maintain a defensive stance.