



# Vantage *point*

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

Concerns over policy implementation in the US have kept the US dollar stuck in a downtrend. Consequently, beneficiaries of the Trump trade, such as financials, have also corrected sharply.

This weakness in the dollar led to strength in emerging market currencies, making emerging market equities more attractive, and thus attracting foreign flows. This would explain the strength in the Philippine peso and PSEi as of late, especially as our market has been playing catch up to its peers.

However, we note that the PSEi exceeded our 2017 target of 7,650. For it to sustain these levels and move higher, a significant catalyst is needed, such as tax reform. Unfortunately, it seems to be behind schedule. Also, the index is trading close to resistance levels, increasing the likelihood of a correction. However, we are selective buyers on pullbacks if our stock picks reach attractive levels.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



After breaking out of its consolidation and hitting our index target, the PSEi has now started to correct. Note also that weakness in the US and other markets may also bring us back to support. We will be using these pullbacks as opportunities to buy.