



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUSLY OPTIMISTIC  
**STRATEGY:** SELECTIVE BUYING ON TOURISM,  
INFRASTRUCTURE, FINANCIAL AND POTENTIAL M&AS

Concerns over Trump's links to Russia have taken another turn as US authorities are now looking into his son-in-law's communications with Russia. Though Jared Kushner is not being formally investigated, this adds fuel to the political firestorm that is already engulfing the White House. This further distracts the US government and Congress from enacting pro-business reforms.

However, despite this political noise, US equities marched higher last week, primarily on the back of technology stocks. This lifted stock markets worldwide. With the dollar still remaining weak, emerging market assets are in a sweet spot. This partly explains why the Philippine peso is still below 50 and the PSEi is close to 8,000. Moreover, some index heavyweights have been performing strongly, such as ALI which beat earnings, SMPH which may bag reclamation projects and MEG which has recovered from BPO fears.

On the local front, the Maute terrorist attack in Marawi City has prompted Duterte to cut short his trip to Russia and declare martial law over the entire Mindanao. Duterte has even threatened to extend martial law to cover Luzon and Visayas if the terrorist threat persists. This has led to criticism from significant people in society, such as former President Fidel Ramos and Chief Justice Lourdes Sereno.

Despite Duterte's martial law pronouncements, his recent controversial statements and criticism of martial law, the stock market continues to be bullish. There has been news that the tax reform package will be passed soon, so this may have countered the political uncertainty. Moreover, there doesn't seem to be widespread opposition to his martial law declaration.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Despite political noise in the US, global equity markets continued to rally. This carried the PSEi as well, which may retest the 8,000 level again. Optimism over the passage of the tax reform package has also lifted stocks. Thus, we have been using dips as an opportunity to buy.

