



Vantage *point*

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

Later today, after a little over a year in office, President Duterte will be giving his 2nd SONA. While it may likely be a long speech because of ad lib statements, Palace officials said that it will provide clarity on many issues, including tax reform and infrastructure spending.

As far as the investment community is concerned, all eyes are on the tax reform package. DOF Secretary Dominguez said that he expects this to be implemented by January. Assuming everything is on schedule and the bill is not diluted, this will be a significant catalyst for the market.

Its passage will not only bring our market to new all-time highs, but it may also reverse the peso weakness we have been seeing in the past year. Note that the current account and trade deficits have also weighed on the currency, but if infrastructure spending picks up, these deficits may be viewed more positively.

Global stock markets are also continuing their march higher, which is underpinning the strength of domestic markets.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



After touching 8,000 twice last week, the PSEi continues to consolidate close to its highs in the absence of significant catalysts. As we await Duterte's 2nd SONA, we remain on hold as we hope for clarity on the government's economic agenda.