



Vantage *point*

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

For the nth time, the PSEi has failed to decisively break 8000. After North Korea repeatedly tested missiles with the potential of hitting US territories, Trump has threatened them with "fire and fury." This potential for war rattled markets as traders saw an increasing chance of conflict.

This caused corrections in global equity markets as the volatility index, VIX, hit a 9-month high and bond yields plunged. This flight to safety also weighed on emerging market currencies, causing the peso to hit 51 last week.

However, we note that net foreign flows remained positive last week, with nearly PhP 1.2 billion flowing into Philippine stocks despite the correction in equities globally and peso weakness.

On the tax reform side, there is also news that the DOF is willing to give up the tax on sugary drinks if the rest of the tax reform package is passed in full, specifically the fuel excise tax. While this slightly dilutes the bill, it may ensure its safe passage through the Senate and bicameral committee.

With earnings season in full swing, we note that on balance, corporates have met our estimates. While some stocks missed earnings, we note that the banking and property sectors are posting above forecast growth figures. Given their

significant weight in the index, these sectors could carry our market despite the volatility. We continue to buy on dips.



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Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Concerns over a potential armed conflict between the US and North Korea dragged down global equity markets last week. However, foreign flows into the Philippines remained strong as earnings met forecasts on the back of strong performance from the banking and property sectors. We continue to use dips as opportunities to buy.