

Last Thursday, the PSEi broke past its previous all-time high of 8,137. Then on Friday last week, the index established a new all-time closing high of 8,181. This move was propelled by strong foreign buying due to the FTSE rebalancing.

Based on a measured move, the next target for the PSEi is 9.100. 9.000 should act as the next round-number resistance. With the PSEi's recent breakout, the previous resistance of 8,000 to 8,100 now becomes the new support.

The PSEi's breakout tracked the move of global markets. US indices made fresh highs last week even as North Korea fired a ballistic missile over Japan and despite the damage brought by Hurricane Harvey. The Dow and S&P 500 both made new all-time highs, with the S&P 500 closing at 2,500 for the first time.

Despite weakening last week, the peso has been consolidating lately and has not closed above 51.50. Meanwhile, it was reported that the country's current account has unexpectedly swung to a surplus in 2Q17 while OFW remittances came in stronger than expected in July. Thus, the country's projected current account deficit may not be as big as initially expected. In addition, massive dollar inflows due to EDC's tender offer and Japan Tobacco Group's acquisition of Mighty Corp may counter the peso's recent weakness. These, along with the timely passage of the undiluted version of the tax reform bill, are expected to provide some respite for the peso and may fuel the market's bullish momentum.

Philippine Stock Exchange Index (PSEi) - 1 year chart



TRADING STRATEGY



Following the move of global indices, the PSEi staged a decisive breakout last week and established a new alltime high. Despite this, volatility may remain high due to risks posed by geopolitics, natural calamities and negative local news headlines. In this light, we continue to focus on companies with compelling growth stories and those which delivered strong 1H17 results.



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