



Vantage *point*

MARKET OUTLOOK: BULLISH
STRATEGY: SELECTIVE BUYING ON PROPERTY AND FINANCIAL SECTORS AND POTENTIAL M&A PLAYS

The global bull market showed more signs of strength as the US stocks, from the large and mid-cap S&P 500 to the small cap Russell 2000, made new highs. This carried global equities higher, including Philippine stocks. However, in the absence of near term catalysts, our stock market is finally taking a breather after its blistering rally. Last week, the PSEi also had a significant change in composition with the removal of EDC and the inclusion of RRHI. This came on the back of EDC's tender offer, which brought in PhP 32 billion of net foreign inflows last Friday - the largest single day inflow for the PSEi.

This significant inflow helped keep the peso afloat even as the dollar strengthened, ending 3Q17 below 51. We note that despite the dollar's recent rally, the peso has performed quite strongly relative to its Asian peers in the past weeks. Though it is still the worst performing currency in Asia, it has significantly narrowed the gap.

Focus will now be on 3Q17 earnings in the coming weeks and the plenary debates on tax reform. Economic managers have stated that they prefer that the Senate aligns its tax reform bill closer to that of the House. We will closely monitor developments on this front.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



After hitting fresh all-time highs, the PSEi is now consolidating above 8,000. We believe the long term trajectory is still upward, so we will use dips as an opportunity to buy.