



Vantage *point*

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

The PSEi hit a fresh intraday high of 8,587 last week before pulling back. Despite the absence of domestic catalysts and the continued weakening of the peso, the PSEi still managed to notch a record close as well, which now stands at 8,497.

The main reason behind this would be the global bull market we are experiencing now. From the record highs in US and Europe to the 10-yr highs of Japan, global stocks have all been on the rise.

That said, we have to carefully monitor the peso as it is now retesting 11-year lows. Any substantial depreciation of the peso may stifle the rally we are witnessing now. Dollar strength due to higher US interest rates and a more hawkish successor to Yellen are to blame for this. Further weakness may also spur foreign outflows, as was the case last week when foreign funds net sold more than PhP 3 billion worth of Philippine stocks. However, note that a foreign entity bought PhP 7.5 billion worth of AC today via block sale. This may have a positive impact on the peso and the stock market, so it bears watching.

With no news on tax reform while Congress is in recess, eyes will now be on corporate earnings which will be started off by banks next week. Rumors of a potential buyout of RCBC is causing its stock price to move up sharply. If this pushes through, this will be a catalyst for bank stocks and the market as a whole.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



US equities continue to make new highs, lifting stocks the world over. Dips have so far been fleeting and elusive, but we will be using these as opportunities to buy.