

The passage of tax reform in the 3rd week of December initially failed to electrify markets as details regarding the net revenue impact was scant. That said, even though it will provide PhP 90 billion in additional revenues which is less than expected, it sent the right signal to investors. More importantly,

the line item veto by President Duterte sends a strong message that the government is serious about its push to generate more revenues to fund its infrastructure massive spending program.

Since Duterte's line item veto which added about PhP 8 billion to expected revenues, the PSEi has gained more than 250 points and went on to break its previous all-time high of 8,605.

Foreign flows have also been spectacular, already amounting to more than PhP 4 billion in the past 5 trading days. This contributed to the peso's rally. Our currency appreciated by more than 1% in the past 2 weeks and has also broken the formidable 50/\$ resistance. Following technicals, a decisive breakout below 50 will see the peso targeting 49.40.

Combined with synchronized economic growth, rising corporate earnings and a global bull market, we see the PSEi hitting 9,500 in 2018.







Now that the direction of tax reform is more defined, the PSEi has broken out to a new high. We will ride this breakout as we believe the stock market will continue to make new all-time highs next year.

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