



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY BULLISH
STRATEGY: PROPERTY, FINANCIAL AND CONSUMER
SECTORS, AS WELL AS POTENTIAL M&A PLAYS

The PSEi continues its winning streak, notching 6 straight positive weeks so far. Last week, our market managed to reach a new record closing of 8,923, up 4.3% YTD at that point. We believe that the PSEi is participating in the global bull market that continues to unfold. For example, Hong Kong finally made a new all-time high yesterday.

While we believe in the PSEi's long term prospects, this rally has been sharper and quicker than expected. This was due to the PhP 8.7 billion in net foreign inflows in the past 3 weeks. Once these foreign inflows abate, a consolidation is in order.

However, we want to highlight the peso's move in the past 2 weeks. After ending 2017 on a strong note, the peso weakened to 50.40/\$ despite other Asian currencies appreciating significantly. On a YTD basis, the peso is down 0.9% against the dollar - the only Asian currency that weakened vs. the USD this year. If the peso continues to depreciate despite the rest of the region strengthening, it may eventually become a dampener for equities.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Given the steepness of the rally, a correction is probable so we reduced our equity exposure. We will be buying on dips as we believe that the market's long term trajectory is higher.