Issue Date: April 24, 2018

Vantage point

MARKET OUTLOOK: CAUTIOUS
STRATEGY: DEFENSIVE STOCKS

Last week proved to be a very painful one for Philippine stocks. Despite global markets rising, the PSEi continued to fall sharply. Last Thursday, not only was the PSEi the only one in the red, but the index also fell as much as 3% intraday as foreign funds hastened their exodus.

Many foreign analysts have flagged various risks to their forecasts, with some houses already downgrading the Philippines to underweight. Concerns over a weak peso, above forecast inflation, a record trade deficit and potential overheating have caused investors to take a more cautious stance towards the Philippines.

Taken together, these risks have lead to PhP 40 billion in net foreign outflows since the start of the year. While foreign funds are selling partly because of the weaker peso, it is important to note that foreign outflows also serve to weaken the peso.

1Q18 corporate earnings have also started to come in, but initial reports have been below forecast (ex. BDO, PGOLD). We will be revising our index and stock-specific forecasts based on these numbers.

Philippine Stock Exchange Index (PSEi) – 1 year chart

TRADING STRATEGY

As foreign funds continue to sell down Philippine stocks due to a weak peso and economic concerns, we have refrained from buying and continue to maintain our cautious stance.

PhilEquity

t +632 689 8080 e ask@philequity.net w www.philequity.net