



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUS  
**STRATEGY:** DEFENSIVE STOCKS

After weeks of falling, it looks like the Philippine stock market will finally get a welcome respite. The credit rating agency, S&P, raised its outlook for the Philippine economy while maintaining our BBB credit rating.

S&P said that their "positive outlook reflects our view that improvements to the Philippines' policymaking settings could support a track record of more sustainable public finances and balanced growth over the next 24 months."

More importantly, S&P said that they "may raise ratings if the government's fiscal reform program leads to further achievements in the next 2 years."

The possibility of a credit rating upgrade totally reversed sentiment for Philippine assets. The PSEi closed at 7,721.02 on Friday, up 1.36% and the peso also strengthened to below 52/\$. A move towards 51.50 would halt the peso's depreciation as it creates a 51.50-52 trading range instead of a breakdown towards 54. A strengthening peso will be a boon for the stock market as it may cause foreign selling to slow down, allowing the PSEi to continue its recovery towards 8000.

It is also important to note that despite Asian currencies weakening against the US dollar this week, the peso managed to strengthen against practically all currencies. This is a positive sign for the peso.



Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



After a slew of negative news and downgrades, S&P upgraded their outlook for the Philippines. This totally changed sentiment for Philippine stocks and the peso. Thus, we have started nibbling in the market.

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