

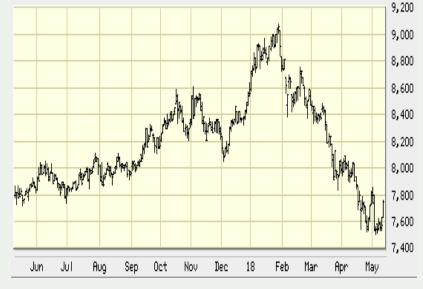
The PSEi was relatively flat for the week ending May 10 as investors anticipated important events last week. Last Thursday, the government's economic managers announced that 1Q18 GDP growth came in at 6.8%, in line with consensus expectations. This was driven by stronger capital formation and a pickup in government spending which offset a wider trade

gap and a deceleration in consumer spending. Noting that the Philippine economy has continued to perform well despite various global and local headwinds and accelerating inflation in 1Q18.

The stock market got another boost when the BSP decided to raise its policy rate by 25 bps to 3.25%. The BSP's policy action aims to quell concerns on rising inflation and prevent price pressures from spreading to commodities/sectors. Moreover, the central bank reiterated that it stands ready to undertake further policy action as risks to the inflation outlook remain tilted toward the upside. The BSP's recent policy action and clear statements on inflation were much welcomed by the market.

Last week, we witnessed global markets move broadly higher as US inflation came slower than expected. This eased concerns that the Fed would have to accelerate monetary tightening to tame rising US inflation.

However, last week, Trump has decided to back out of the Iran nuclear deal, thereby deciding to re-impose oil-related sanctions on Iran. This caused Brent oil to surge past \$77/bbl last week from \$75/bbl the previous week. This is a concern for investors as the Philippines is a major oil importer. Moreover, this may exacerbate rising inflation which the country is currently experiencing.



Philippine Stock Exchange Index (PSEi) - 1 year chart

TRADING STRATEGY



With 1Q18 earnings coming trickling in, we will stay on the sidelines for now.



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