Issue Date: Sept 27, 2016

Vantage point

MARKET OUTLOOK: NEUTRAL

From TV to daily newsprints to international magazines, our country has made headlines on account of the President's controversial statements. Even credit rating agencies have weighed in, with S&P saying that with policy predictability diminished, they do not expect any credit rating upgrade for the Philippines in the next 2 years.

The result of all this negative sentiment is the longest streak of foreign outflows since August 2008 - 22 straight days for a total of PhP 25 billion as of September 23. Since the outflows started, the index has fallen 4%.

Suffering even more was the Philippine peso. From being among the best performing currencies, it is now the worst performing currency in Asia in the past month. Since its post-election high, the peso has depreciated 5% against the dollar and has broken the crucial 48 level as of this writing.

With peso weakness dragging equity prices and political risk filling the headlines, we have lightened equity exposure as we await more clarity on domestic issues. Over the long term though, economic policies, if implemented properly, can offset the political noise we are hearing now.

Philippine Stock Exchange Index (PSEi) – 1 year chart

Source: Bigcharts.com

TRADING STRATEGY

Negative headlines regarding political risk in the Philippines continue to weigh on sentiment. With foreign outflows continuing unabated, we have lightened our equity exposure.

PhilEquity
(+63 2) 689 8080 ask@philequity.net www.philequity.net