



Vantage *point*

MARKET OUTLOOK: NEUTRAL
STRATEGY: DEFENSIVE STOCKS AND SECOND LINERS
WITH GOOD GROWTH PROSPECTS

Last week, the PSEi broke crucial support of 7,500 as foreign funds continue to liquidate their Philippine holdings. After a brief respite from outflows, foreign selling last week amounted to PhP 3 billion, with peso still above the 48/\$ level. This weakness in a peso further fuels uncertainty over the country's political situation and stock market, which in turn leads to more outflows and peso depreciation.

The PSEi's stark underperformance since September continues until now. Despite the death of Thailand's king, the PSEi still underperforms Thailand by 8% YTD. We are also trailing Indonesia by double digits and if we include currency depreciation, we are underperforming Indonesia by 22% YTD in dollar terms.

Dollar strength has also weighed on emerging market currencies and equities as Fed fund futures are practically pricing in a rate hike in December. With Europe also slowing down its easing, markets are starting to come to terms with policy tightening in 2017.

With the President, some Cabinet officials and more than 400 businessmen visiting China later this week, we may see business deals being signed and a potential influx of FDI from China. This bodes well for the infrastructure sector and may offset the pause in expansion plans of other foreign companies. We will continue to monitor foreign and domestic events as we maintain a healthy cash level.

Philippine Stock Exchange Index (PSEi) – 1 year chart



Source: Bigcharts.com

TRADING STRATEGY



With foreign outflows continuing unabated, the PSEi broke support of 7,500 last week. With dollar strength and domestic sociopolitical risk remaining, we remain on hold and continue to monitor foreign and domestic developments.

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