



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY OPTIMISTIC
STRATEGY: SELECTIVE BUY CONSUMER, INFRA,
FINANCIAL AND POTENTIAL M&A PLAYS

With the first round of French elections just concluded, markets heaved a sigh of relief as Macron was leading Le Pen. Moreover, 2 other contenders in the elections have asked their supporters to vote for Macron in the 2nd round. A victory by leftist Melanchon or strong showing of Le Pen in the first round were nightmare scenarios for investors as it may trigger a referendum for France's exit from the Eurozone. Thus, more solid support for Macron was welcomed by investors.

The resulting strength in the euro has also contributed to the weakening trend of the US dollar. This should benefit other currencies as well, thus driving flows into their respective equity markets.

Last week, the government's economic team held a symposium touting their "Build, Build, Build" program which aims to spend PhP 8.4 trillion on infrastructure projects by 2022. They also launched a website to promote transparency in the implementation of these projects. Proper and smooth implementation of these projects will be a significant catalyst for Philippine assets.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With the 1st round of French elections ending as the polls had predicted, markets became less jittery. With a Macron win now likely, we can expect a relief rally. Thus, we are cautiously optimistic on Philippine stocks.