



Vantage *point*

MARKET OUTLOOK: CAUTIOUSLY OPTIMISTIC
STRATEGY: SELECTIVE BUYING ON TOURISM,
INFRASTRUCTURE, FINANCIAL AND POTENTIAL M&AS

Sentiment for Philippine stocks remains bullish, especially from the foreign side. Last week alone, foreign funds bought a net PhP 3.6 billion worth of stocks, bringing the June tally to PhP 5.6 billion. This allowed the index to end the week at 7,990. The peso is also benefitting from the flows as it maintained its strength.

Note that despite political noise in the US and Middle East, as well as martial law in Mindanao and the RWM incident, Philippine stocks and the peso have remained quite resilient. We attribute this to confidence in the eventual passage of tax reform which in turn will lead to many other positive developments, such as a potential credit rating upgrade.

However, we have to be wary of developments in the US this week, such as the sharp pullback in tech stocks and the Fed monetary policy statement on Wednesday. This may sap some of the foreign flows that are expected to come into the Philippines in the near term.

That said, we are bullish on the Philippines' long term prospects and we expect the PSEi to reach its previous all-time high of 8,137.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



The PSEi remains locked in a consolidation close to the 8,000 level. With foreign flows still continuing and significant catalysts on the horizon, we increased our equity exposure, especially to index stocks.