## Issue Date: June 20, 2017 Issue Date: June 20, 2017 Issue Date: June 20, 2017 Issue Date: June 20, 2017

Last week proved to be quite eventful as the FTSE rebalancing deadline was on June 16. Our stock market saw very high value turnover, more than PhP 28 billion, and net foreign buying of PhP 600 million as some foreign equity indices rushed to increase the weighting of certain Philippine stocks in their portfolio.

Last Wednesday, Meralco also conducted a share placement, such that foreign flows on that day amounted to PhP 11.4 billion - the largest since January 2015. We are carefully watching foreign flows as these will have a significant impact on stock prices depending on which direction they go.

On the flipside though, the country reported a 1Q17 current account deficit of \$318 million, a reversal from last year's surplus. Moreover, the BSP is now projecting a 2017 current account deficit of \$600 million. This will be the Philippines will book its first current account deficit in 15 years. This may have a negative impact on the Philippine peso if it continues to deteriorate.

We are also seeing some weakness in OFW remittances, which were down 6% in April 2017 to a 15-month low. So far though, remittances are still up 4% in the 1st 4 months of the year.

While there are significant long term catalysts, such as tax reform, heavy infra spending and a potential credit rating upgrade, we are cognizant of the recent weakness in economic data and volatility in global equity markets. Thus, we remain on hold.





After FTSE rebalancing last week, we expect the PSEi to continue its consolidation and move in the same direction as other ASEAN markets. Long term, some significant catalysts may materialize. However, recent weakness in economic data bears watching. Thus, we remain on hold.

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