



# Vantage *point*

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

Despite weakness for most of the week, the PSEi ended the 1st half of the year on a strong note because of window dressing by foreign funds. Last Friday alone, we saw PhP 1 billion in net foreign buying.

However, we have to closely watch the movement of the peso as this can weigh on Philippine asset prices. Note that despite dollar weakness, the peso has weakened for 4 straight weeks and is now below crucial support of 50.40. If this breaks decisively, technicals are pointing to further weakness, with the next support level at 51.50-52.

Balancing out this risk is the hope in the eventual passage of tax reform is underpinning our market. Once this is passed into law, it can be a significant catalyst for our market as it paves the way for a potential credit rating upgrade, which may lead to more foreign inflows.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



We expect peso weakness to cap the stock market's performance. Until the peso stabilizes again, we will maintain a cautious stance.