



# Vantage *point*

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

After weakening for 5 consecutive weeks, the peso finally strengthened last week and is now hovering close to the 50.50 level. Note that it fell close to 51 when record trade deficit figures came out, before recovering. This spurred foreign outflows, which amounted to nearly PHP 700M last week.

However, it is interesting to note that despite the weakening peso and large current account & trade deficits, the market has not corrected sharply and continues to consolidate. It looks like the market has priced in a weak peso and no longer sees it as a major risk at current levels. That said, it seems that 8,000 is a very strong resistance level as the market always corrects whenever it approaches this level.

The strength in the market may also be reflecting hope in tax reform and infrastructure spending. Note that part of the reason we booked a large trade deficit is the spike in imports of metal products - an indicator of a potential pickup in infra spending. If the government is able to decisively implement its program, then this may usher in the next leg of the country's growth story and bull market.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



The PSEi continues to consolidate close to its highs as the market waits for significant news flow. Note that despite negative news on the economic front, the market has not corrected sharply. This is an encouraging sign. We remain on hold.