

The PSEI continues its consolidation as geopolitical tensions in the region continue to rise. With no signs that North Korea is backing down, Trump has embraced more aggressive rhetoric towards them. This may put a ceiling on equity prices until such point that we see significant de-escalation.

That said it is important to note that the PSEi has not fallen sharply despite all this negative news. In fact, regardless of volatility abroad, we remain stuck in a tight range between 7900 and 8100. This is a positive sign.

However, until we see clarity on the final shape and form of tax reform, the market may just meander here. Investors are eagerly awaiting its full passage within the year, for implementation in January 2018. If passed in full, this should lend strength to the peso and to our stock market. Until then, we continue to closely monitor the situation in North Korea as well as the progress of the tax reform bill.



## TRADING STRATEGY



North Korea continues to escalate tensions as it announces that it has successfully tested a hydrogen bomb. While experts doubt this, this is indicative of heightening geopolitical tensions in the region. Expect markets to become more volatile as investors scamper to safe havens. Assuming the situation does not evolve into armed conflict, sharp dips may actually be opportunities to buy.



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