



Vantage *point*

MARKET OUTLOOK: BULLISH
STRATEGY: SELECTIVE BUYING ON PROPERTY,
FINANCIAL SECTORS AND POTENTIAL M&A PLAYS

After a blistering 6-week rally, the PSEi has finally started correcting on the back of index rebalancing by foreign funds and a weakening peso. We also note that we had near uninterrupted foreign selling in the past 8 days. Excluding the block of AC shares, net foreign selling amounted to more than PHP 6 billion.

Note also that the recent dollar strength has also weighed on the Philippine peso which has depreciated by nearly 2% in the past month. So far, this has not impacted stocks as negatively as it did before, but we must be careful that its depreciation does not become too abrupt, too sharp or disorderly (see Philequity Corner dated October 30, 2017).

Now that earnings seasons has started, we expect corporate earnings results to drive the market. We will be increasing exposure to stocks that beat earnings forecasts while reducing weighting in companies that fail to meet consensus estimates.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



Global equities continue to maintain their strength. We remain positive on the global bull market and the Philippines growth prospects, so we will use dips as opportunities to buy.