



Vantage *point*

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

The PSEi has pulled back after it reached an all-time high of 8,605 on November 6. The index touched a low of 8,206 last Thursday, as reports came out that OFW remittances declined 8.3% for the month of September.

Last week, our country's 3Q17 GDP growth figures were released. Though 3Q17 growth at 6.9% came above the consensus estimate of 6.5%, there was a notable deceleration in domestic consumption. This bears watching, as domestic consumption has been the primary driver of our economy. This, however, was compensated by strong net exports and growth in the manufacturing sector.

Fortunately, the PSEi's correction has coincided with a pullback in the US dollar and a recent recovery in the peso. After closing at 51.8 on October 26, the peso has recently recovered and closed at 50.953 last Friday. The recent recovery in the peso may provide some insulation to foreign investors as the PSEi experiences a correction. This may also cushion the uptick in inflation, which reached a 5-month high of 3.4% in September.

So far, the 3Q17 earnings of most companies have generally met our forecasts, with some beating estimates while others have performed slower than expected. Thus, the PSEi's recent pullback may provide opportunities to buy companies with good earnings and attractive growth prospects as they trade near support levels.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With global markets finally correcting, it looks like the PSEi will follow suit as well. With earnings season now in progress, we will be buying stocks that beat forecasts as they approach support levels while reducing exposure in those that fail to meet estimates.