Issue Date: January 30, 2018 voint MARKET OUTLOOK: CAUTIOUSLY BULLISH **STRATEGY:** PROPERTY, FINANCIAL AND CONSUMER SECTORS, AS WELL AS POTENTIAL M&A PLAYS

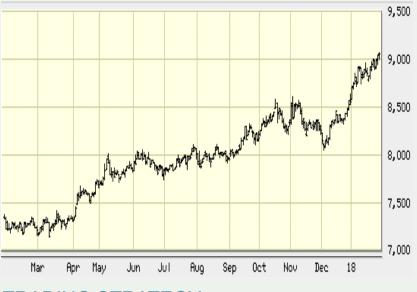
The PSEi has reached 9000 for the first time in history and is now on its 8th straight week of gains. This is a testament to the global bull market that continues to unfold. Foreign flows have driven our market higher this year. In fact, YTD net foreign inflows amount to PhP 5.2 billion as of Friday.

Note that despite 4Q17 GDP coming in at 6.6%, slightly below forecasts of 6.7%, the market remained undeterred. We note that domestic consumption as a % of GDP has also fallen from 70% to 59% on the back of slower consumption growth and the increasing share of government spending.

We see the same pattern in the US where investors ignored below forecast GDP as they drove US equity indices to new all-time highs.

Moreover, the PSEi's 9000 milestone comes on the back of a weakening peso. While a depreciating peso usually comes hand in hand with lower stock prices, the market also seems to be ignoring this. Now at 51/\$, the peso is the only Asian currency that is weaker against the dollar this year.

Philippine Stock Exchange Index (PSEi) - 1 year chart



TRADING STRATEGY



The PSEi continued its run-up as global markets remained strong. We are letting our profits run while at the same time maintaining a healthy cash balance to take advantage of dips.



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