



# Vantage *point*

**MARKET OUTLOOK:** CAUTIOUS  
**STRATEGY:** DEFENSIVE STOCKS

Despite MSCI rebalancing concluding last Thursday, foreign selling still continues unabated, 14 days straight and counting.

While we took advantage of rebalancing to rotate our portfolio, we remain cautious on the market because of heavy net foreign outflows.

Note also that despite the rebound in global markets, the PSEi continues to languish at the lows. This can be attributed to concerns over inflation, a weak peso and tepid 1Q18 corporate earnings.

One catalyst could be the drop in oil prices. If oil continues its slide, inflation should start to lessen. Note that the BSP raised its inflation expectations to 4.6%-5.4%, significantly higher than their previous target.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



Despite Asian markets recovering, the PSEi continues to languish. We did some rotation during MSCI rebalancing, but remain wary of the unabated foreign selling.



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