

The PSEi's recovery was a short-lived one. After rising as much as 400 points from the recent low of 7,312, the index has now fallen below this level. Foreign selling returned with a vengeance, with PhP 2.3 billion flowing out of Philippine stocks last week. After our 2-day holiday break, it seems pent-up selling is bringing our market down sharply.

The President's interview in Japan did not help as he brought to fore his fiery anti-US rhetoric once again. Fortunately, he was very friendly to the Japanese, who in turn pledged more aid and will continue to remain our allies.

US election jitters are also causing volatility in global markets worldwide as the surprise reopening of the investigation into Hillary Clinton's emails increased the probability of a Trump victory. A firebrand like Duterte, a Trump administration is viewed by investors to be risky and filled with uncertainty.

Dollar strength as also not helped our case, with the peso ending last week at 48.50 after failing to appreciate beyond 48. As a result, our market is up just 1% YTD in dollar terms, while Thailand and Indonesia are up by 19.7% and 24.4% respectively.

Moving forward, all eyes will be on US elections next week, Philippine 3Q16 GDP growth (which comes out on Nov. 17) and corporate earnings. Strong earnings and economic growth numbers can be catalysts for the stock market if they beat forecasts.



Source: Bigcharts.com

TRADING STRATEGY



Foreign selling resumed on the back of the President's comments in Japan and US election jitters. We remain on hold as we keep a healthy cash level.



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