



Philequity Corner (August 7, 2017)
By Wilson Sy

Dow hits 22000

On January 25, investors celebrated as the Dow Jones index hit the 20,000 level for the first time. In a previous article, we discussed why crossing 20,000 marked an important milestone and explained why the US stock market will continue making new highs thereafter (see *20000*, February 6, 2017).

Six months later, the Dow is up another 2,000 points as it breached the 22,000 level for the first time ever. The Dow hit its 34th all-time high of the year as stocks were lifted by an upbeat earnings season and a stronger-than-expected US jobs data last.

A good year for stocks

2017 has so far been a good year for stocks. The Dow, S&P 500 and the Nasdaq Composite are on pace for their 9th straight year of gains since bottoming out in 2009. After a roller-coaster 2016, volatility has subsided this year with the VIX hitting all-time low levels. It has been more than a year since the US stock market has suffered a 5% pullback (the last time was in June 2016 during Brexit).

Broad-based global bull market

Like the Dow, most stock markets globally are trading at new multi-year highs, or are in strong uptrends. As discussed in a previous article (see *Synchronized global growth*, June 12, 2017), the synchronized global economic growth underpinned by nine years of coordinated central bank action is driving global stock markets higher. The new highs around the world indicates that the global equities bull market is solidly intact and prices will likely continue higher.

US & Americas - YTD performance

In the US and the Americas, market indices are up an average of 13.2 percent year-to-date in local currency terms. Outside the US, indices in dollar terms are up 18.8 percent on average. Note that the US dollar index has depreciated by 8.6 percent year-to-date, boosting the returns of most of these indices in dollar terms.

In the US, the tech-heavy Nasdaq Composite is the best performing index, returning 18 percent. The Dow and the S&P 500, are up 11.8 percent and 10.6 percent respectively. Mexico is the best performing market, up 30.3 percent in dollar terms due to the 14 percent appreciation of the Mexican peso.

US & Americas	Symbol	Index	local ytd	USD ytd
Mexico	MEXBOL	51,328.29	12.5%	30.3%
Chile	IGPA	25,480.89	22.9%	26.7%
Nasdaq	CCMP	6,351.56	18.0%	18.0%
Brazil	IBOV	66,897.98	11.1%	15.5%
Argentina	MERVAL	21,703.90	28.3%	15.3%
Dow Jones	INDU	22,092.81	11.8%	11.8%
S&P500	SPX	2,476.83	10.6%	10.6%
Canada	SPTSX	15,257.97	-0.2%	6.1%
Russell 2000	RTY	1,412.32	4.1%	4.1%

Source: Bloomberg, Wealth Securities Research

Europe, Middle East & Africa - YTD performance

In Europe, Middle East and Africa, market indices are up an average of 13.7 percent year-to-date in local currency terms. In dollar terms, these indices are up 20.5 percent. Euro-based countries benefited a lot from the 11.9 percent appreciation of the euro against the US dollar year-to-date. In local currency terms,

Nigeria and Turkey are the two best performing markets in EMEA, up 39.3 percent and 38.9 percent, respectively year-to-date. But Greece is the best performing market in dollar terms, up 44.2 percent year-to-date after adjusting for the euro's appreciation against the dollar.

EMEA	Symbol	Index	local ytd	USD ytd
Greece	ASE	829.5	28.9%	44.2%
Turkey	XU100	108545.31	38.9%	38.7%
Italy	FTSEMIB	21935.79	14.0%	27.6%
Spain	IBEX	10658.4	14.0%	27.5%
Nigeria	NGSEINDX	37425.15	39.3%	20.8%
Germany	DAX	12297.72	7.1%	19.9%
France	CAC	5203.44	7.0%	19.8%
Europe (stoxx 50)	SX5E	3507.41	6.6%	19.3%
Norway	OSEBX	738.06	7.9%	17.4%
Switzerland	SMI	9176.99	11.6%	17.0%
South Africa	JALSH	55944.83	10.4%	12.8%
UK (FTSE)	UKX	7511.71	5.2%	11.1%
Russia	INDEXCF	1953.49	-12.5%	-10.2%

Source: Bloomberg, Wealth Securities Research

Asia Pacific - YTD performance

In Asia, markets are up an average of 11.2 percent year-to-date in local currency terms. In dollar terms, these indices are up 15.7 percent on average. Hong Kong is the best performing market in local currency terms, up 25.3 percent year-to-date.

In dollar terms, however, India and South Korea are the two best performing markets with gains of 29.7 percent and 26.7 percent, respectively year-to-date. The Philippine market is in the middle of the pack with a 16 percent return in peso terms and a 14.5 percent gain in dollar terms.

Asia Pacific	Symbol	Index	local ytd	USD ytd
India	SENSEX	32325.41	21.4%	29.7%
South Korea	KOSPI	2395.45	18.2%	26.7%
Hong Kong	HSI	27562.68	25.3%	24.3%
Singapore	FSSTI	3326.52	15.5%	22.8%
Taiwan	TWSE	10506.56	13.5%	21.7%
Vietnam	VNINDEX	788.68	18.6%	18.8%
Philippines	PCOMP	7932.82	16.0%	14.5%
Malaysia	FBMKLIC	1774.53	8.1%	13.3%
Australia (ASX200)	AS51	5720.583	1.0%	11.1%
Indonesia	JCI	5777.482	9.1%	10.4%
Japan	NKY	19952.33	4.4%	10.3%
Thailand	SET	1578.26	2.3%	10.1%
China	SHCOMP	3262.081	5.1%	8.5%
Pakistan	KSE100	47093.03	-1.5%	-2.4%

Source: Bloomberg, Wealth Securities Research

Flirting with 8,000

Looking at the technical picture of the Philippine market, the 8,000 level has proven to be a formidable resistance. The PSE index has touched this level 16 times this year but has failed to convincingly break through (see *Flirting with 8000*, June 19, 2017 and *Back at 8000*, July 31, 2017).

The chart below shows a 2 ½ year ascending triangle with major resistance at the all-time high of 8,137. An ascending triangle is a bullish continuation pattern characterized by higher lows (shown here when the

index hit 6084 in January 2016 and 6499 in December 2016). A decisive close above 8,137 levels will confirm the breakout from this 2 ½ year-long bullish continuation pattern with a possible target of 10,000.



Source: Wealth Securities Research

Tax Reform Package & Market Outlook

We are inviting all Philequity shareholders to the Annual Stockholders' Meeting which will be held on August 19, 2017 (Sat), 9am – 12nn at the Meralco Theater, Ortigas Ave., Pasig City. Our fund managers and analysts will discuss the stock market and the peso outlook.

Our guest speaker is Karl Kendrick Chua, Undersecretary of the Department of Finance. Mr. Chua will talk about the tax reform package and why it is beneficial to the economy, the capital markets and the populace. The investors' forum and the Q&A portion where you can ask your questions about the stock market, the peso and the tax reform package will be moderated by Shawn Yao of Bloomberg Philippines.

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