



Philequity Corner (January 29, 2018)
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9000

After setting records in 2017 and the early part of 2018, our stock market reached another milestone last week. For the first time in history, the PSEi crossed the 9000 mark. Last Friday, the PSEi closed at 9,041.20 – both an all-time closing high and intraday high. At this level, our benchmark index is up 5.64% for the year.

Round number milestones

Hitting a new round number milestone is very significant. Not only was a psychological barrier broken, but investor sentiment is likewise reinforced. We have celebrated these records by writing articles a few days after they were attained, such as the following:

- 5000**, 5 March 2012
- 6000**, 14 January 2013
- 7000**, 27 April 2013
- 8000**, 13 April 2015

These columns can be viewed in our website, <http://www.philequity.net/philequiCorner.php>. In the table below, we list the exact dates when round number milestones were first achieved.

PSEi level	Date
1000	July 2, 1987
2000	September 13, 1993
3000	December 23, 1993
4000	September 14, 2010
5000	March 1, 2012
6000	January 7, 2013
7000	April 22, 2013
8000	March 30, 2015
9000	January 26, 2018

Source: Wealth Securities research

8000 to 9000

Compared to all other round number milestones, the current bull market we are experiencing had a difficult time surpassing 8000. Looking at the table above, the different 1000-point advances from PSE index levels of 4000 to 8000 were all made within 1-2 years of each other. On the other hand, it took nearly 3 years to go from 8000 to 9000.

The significance of a breakout

In the table below, we show how difficult it was to break out from the 8000 resistance level. Previous attempts to break out above 8000 always resulted in pullbacks.

Year	# of times 8000 was hit without a breakout
2015	8
2016	20
2017	32

Source: Wealth Securities research

As can be seen in the table, it took 60 attempts from 2015 to 2017 before 8000 was finally hurdled. Thus, the breakout above 8000 is very significant and powerful because of its long consolidation period prior to the breakout. Not only is 8000 now a strong support level, but this new high also means that there is no more resistance except the psychological resistance of the round number 9000 (see *Starting the New Year with a Bang!*, 8 January 2018).

FOMO

For our non-millennial readers, FOMO stands for “fear of missing out”. FOMO is “a pervasive apprehension that others might be having rewarding experiences from which one is absent or are in possession of something that they do not have”. With many investors finally overcoming their doubts regarding this bull market, they have decided to put their money to work immediately. In other words, FOMO is precisely what is driving the run-up this year. From the last week of December to the 3rd week of January, equity-based mutual funds and ETFs around the world have attracted \$58 billion in inflows. We can see this FOMO in the Philippines as well – from December 21 to January 26, net foreign inflows amounted to PHP 12 billion.

Ignoring bad news

Another observation we have about our stock market is its surprising resilience. Despite political noise here and abroad, a weakening peso, PHP 120 billion in announced rights offerings and 4Q17 GDP which was below forecast, the market has chosen to ignore bad news and move higher. This ability to ignore bad news and move higher is yet another testament to the strength of this bull market.

Let it go

As we mentioned in a previous article (see *2017 – A Record Year for Stocks*, 1 January 2018), we have just entered the 2nd phase of the bull market. With every region in the world now growing simultaneously for the first time in 25 years and companies seeing earnings growth accelerating, this bull market still has a long way to go. In fact, what we are now witnessing is a run-up. Since it is very difficult to predict the correction, pause or consolidation in a run-up, the strategy in this situation is to continue letting your profits run and participate in this powerful advance towards new record highs. We wrote about this strategy when the PSE index was at 8,330 (see *Let it go*, 13 November 2017).

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