

# VANTAGE POINT

A WEEKLY PUBLICATION FROM THE FUND MANAGERS AND ANALYSTS OF PHILEQUITY MANAGEMENT, INC.



## EQUITY OUTLOOK

**Market Outlook:** Neutral

**Sector Picks:**

**Technicals:**

**Trading Strategy:**

Index heavyweights. Consumer and property stocks trading at depressed valuations.

Support at 6000 followed by 5700, Resistance at 6500 followed by 6700

The PSEi continues its ascent as foreign funds continue to increase Philippine exposure. High quality companies which have significant catalyst will be outperformers. Rising stock prices despite bad news like the 1Q25 GDP miss is a bullish sign.

The PSEi is up for its 4th straight week on the back of PhP 1.7B in net foreign buying. We note that foreign flows are concentrated in a handful of names. This is a very positive signal considering that the Philippines announced 1Q25 GDP that missed expectations - 5.4% vs. 5.7%.

Though the market weakened for a day, foreign investors focused more on the country's insulation for US tariffs and the appreciating peso. Now trading at the 55 level, it will help bring down inflation and lift stock prices.

Against this backdrop of falling inflation and below forecast growth, BSP Governor Eli Remolona, Jr. said that 3 more rate cuts for 2025 are on the table. While this would normally cause the peso to depreciate, dollar weakness remains to be the driving factor for FX movements. Moreover, Remolona said that they will not intervene to stem the Philippine peso's strength, saying that this is "going against the tide."

US President Donald Trump also announced a US-UK trade deal that brings reciprocal tariffs down to 10%. Though details per country may vary, it is clear that tariffs of at least 10% are here to stay. This will likely be inflationary for the US, which will affect the Federal Reserve's monetary policy, which will then in turn affect the monetary policy of other central banks.

### Philippine Stock Exchange Index (PSEi) 1-year chart



## BOND OUTLOOK

**Market Outlook:** Positive

**Trading Strategy:**

Trump strikes deal with China to lower absurdly high tariff rates for both countries, and there is hope for an even broader deal in the future. Markets soar, erasing 2025 losses in equities and 10y UST yields jump back to 4.45. Local bond yields rise 10bp but are tempered by dovish BSP. We think that these levels, with the 5-10y above 6% would be a good entry level for the long term.

We have turned positive as we finally see some sanity come back in terms of global trade and tariffs, which should take away some uncertainty for the Fed to act. It still is unclear how much of an effect tariffs have had on prices, which should be seen in next month's CPI reading, but for now, with uncertainty gone, Fed may be cutting rates sooner rather than later. Locally, BSP is seen to continue cutting rates, especially as inflation prints keep going lower at around 2%.

### PHILIPPINES 10 YEAR GOVERNMENT BOND



### PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of May 09, 2025
1M	5.2490
3M	5.5227
6M	5.6708
1Y	5.7152
3Y	5.7850
5Y	5.8663
10Y	6.1438

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