

VANTAGE POINT

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



EQUITY OUTLOOK

Market Outlook : Neutral

Technicals :

Trading Strategy :

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

Smooth and decisive elections calmed the nerves of investors. This should continue to help stabilize the PSEi despite mediocre corporate earnings. With aggregate 1Q25 earnings growth of index constituents practically flat, one has to pick the diamond in the rough.

In the shortened trading week after elections, the PSEi still managed to eke out a small gain for its 5th straight positive week. Election results dominated news flow, with surveys failing to predict some of the breakout winners in senatorial elections. Many incumbents and celebrities likewise lost their bids in both national and local races.

What was crucial is that the elections were peaceful, smooth and with a record turnout of 81.65%. Results were also tabulated quite quickly, albeit with a minor hiccup. Once the 20th Congress convenes, all eyes will be on the numbers game as the impeachment process for Vice President Sara Duterte is likely to commence soon after.

On the economic front, we expect 2Q25 consumption to pick up as it usually does during election cycles. This should partially offset the lower government spending that we also see during this period.

Overseas, the interim US-China trade deal boosted global equities, especially in the US. Both sides will be slashing reciprocal tariffs, with US taxing Chinese imports at 30% instead of 145%, while China will reduce US import tariffs to 10% from 125%. This follows a trade deal between the US and UK. While many details are still being negotiated, this should help reduce uncertainty and recession risk somewhat. It remains to be seen what tariff rates other countries will be able to get during their negotiations with US trade officials, but it seems 10% is the likely floor for tariffs.

Philippine Stock Exchange Index (PSEi) 1-year chart



On the earnings front, corporates largely disappointed in 1Q25. Based on those that have reported already, recurring earnings growth for the PSEi is close to 0%. This reinforces the BSP's decision to continue easing its monetary policy as many sectors in the economy continue to be challenged.



BOND OUTLOOK

Market Outlook : Neutral

Trading Strategy :

Move to staying on the sidelines again due to uncertainty in the US with Moody's downgrading US credit, citing a ballooning deficit. Yields are higher again in UST with the downgrade and local bonds follow suit, with players lightening up on recent purchases. For now, levels around 6% locally will most likely hold but we can wait for better levels to enter.

Moody's downgrades US credit, which has equity markets lower again and UST yields higher. We also await what will happen with Trump tariffs as the deal with China was a positive development but a lot of uncertainty remains. Here locally BSP is still dovish with inflation tame but we would like to wait and see if there were any price effects due to the global trade war. For now, best bet is to stay on the sidelines and wait for further developments.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of May 16, 2025
1M	5.4460
3M	5.5126
6M	5.6257
1Y	5.6996
3Y	5.7907
5Y	5.8808
10Y	6.1732

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