

ADVANTAGE POINT

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

Concerns over the complete Cabinet reshuffle are putting investors on edge due to the risk of policy uncertainty. There is also a risk that a 5% tax on outbound remittances for non-US citizens may become law. Offsetting this is the appreciating peso which is providing a cushion against net foreign selling. We are closely monitoring these events and their implications on our investment thesis.

Domestic markets were greeted by the shock announcement of President Ferdinand Marcos, Jr. who said that he is asking all Cabinet members to submit courtesy resignations as he seeks to revamp his government to respond to the people's needs. He also said that this is in response to the results of the recent midterm elections where only 6 senatorial candidates of his party, the Alyansa para sa Bagong Pilipinas, got into the Magic 12.

As of this writing, a vast majority of Cabinet officials have already submitted their resignation letters. However, the Office of the President clarified that they are expected to continue performing their duties until their resignation is accepted. This should maintain policy continuity while President Marcos makes an assessment of who should stay and who should be replaced. Moreover, breaking news indicates that the country's economic team was retained. These are DTI Secretary Ma. Cristina Roque, DOF Secretary Ralph Recto, Economic, Planning & Development Secretary Arsenio Balisacan, DBM Secretary Amenah Pangandaman and Special Assistant to the President for Investment & Economic Affairs Frederick Go.

In addition, Senate President Francis Escudero announced that the Senate will convene as an impeachment court on June 3, ahead of his original schedule of July 30. They will be meeting members of the House prosecution panel to discuss the parameters of the impeachment trial.

Philippine Stock Exchange Index (PSEi) 1-year chart



Offshore, we saw Moody's downgrade the US' credit rating to AA. This caused US 30-year Treasury yields to break 5%. Also contributing to this was US President Donald Trump's much touted "big, beautiful spending bill". However, analysts who studied it said it would serve to increase the US' budget deficit instead of reducing it. This likewise put pressure on the US dollar as well. On the other hand, we note that it included a 5% tax on outbound remittances by non-US citizens. This will negatively impact families reliant on OFW remittances. US-based OFWs account for ~10% of total remittances.

BOND OUTLOOK

Market Outlook : Neutral

Trading Strategy :

We look to stay on the sidelines for now as possible EU US 50% tariffs would cause hard recessions. What this means for the rest of the world is also in question. Locally, BSP is signaling 2 more cuts this year, but market is still not as convinced. BSP also stated that RRR cuts are off the table for this year.

BSP guidance on lower inflation and 2 more rate cuts for this year gives support for local bonds, but all eyes are still on Trump and his tariffs. If UST yields come under pressure again and rise above 4.5, local bonds would also follow suit higher even with the dovish comments from the BSP. As such, even with current levels looking attractive above 6%, we think that uncertainty global will keep rates where they are and there is no rush yet to increase duration and positions.

PHILIPPINES 10 YEAR GOVERNMENT BOND

PHP BVAL Reference Rates
Benchmark Tenors



Tenor	BVAL Rate as of May 23, 2025
1M	5.1858
3M	5.4551
6M	5.6098
1Y	5.7398
3Y	5.7978
5Y	5.8981
10Y	6.2693

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