

**EQUITY OUTLOOK** 

Market Outlook: Technicals: Trading Strategy:

Neutra

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

Net foreign selling accelerated due to MSCI rebalancing as well as EM outflows. Investors looking to increase equity

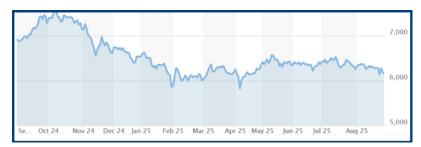
exposure may find that waiting at support levels is a better risk-reward proposition than chasing prices.

The PSEi lost 2% this week on the back of PhP 3.84 billion of net foreign selling. Weakness was broad-based partly due to MSCI rebalancing which concluded on August 26. The shortened trading week also meant net sell flows had to be completed in a more aggressive manner.

On August 28, the BSP cut the benchmark rate to 5%. Though it signalled that another rate cut is a possibility, BSP Governor Eli Remolona Jr. also said that they are at the tailend of the easing cycle. Moreover, they are wary of the inflation outlook next year as there is upside risk. They likewise expect the US Fed to cut interest rates twice this year. This should help widen the current interest rate differential which is just at 50 bps. A narrower interest rate differential generally leads to currency weakness.

Last week, the Konektadong Pinoy bill lapsed into law in its original form. While this was supported by business groups, this was widely panned by incumbent telcos who promised to challenge it in the Supreme Court if it passes into law. Its IRR is yet to be drafted but it will likely be completed within the year unless legal challenges derail it.

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





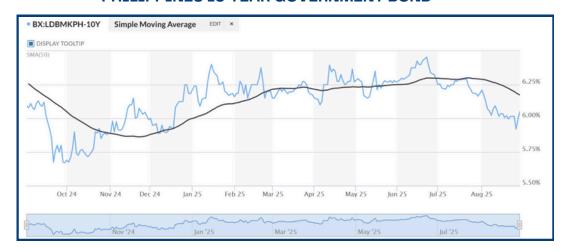
## BOND OUTLOOK

Market Outlook: Trading Strategy: Neutral

With BSP cut of 25bp as expected, market is now looking to local CPI this week and Fed for direction. We see local bonds consolidating around this levels as they may have gotten ahead of themselves. BSP has also sounded more hawkish than usual, which is spooking investors. We think that a larger pullback close to 6% may be a good level to add to positions.

This week will be the announcement of August CPI, which should still be quite low due to falling rice prices. What is now being considered by the market is recent statements by Remolona after the BSP cut that sound much more hawkish than usual. We think that BSP still has 1 more cut to go but could pause after that, and wait for the Fed to start cutting, which would bring the historically low rate differentials back to more normal levels. For now, we would stay on the sidelines but if market continues to take profit, we see 6% as a good entry point.

## **PHILIPPINES 10 YEAR GOVERNMENT BOND**



PHP BVAL Reference Rates

Benchmark Tenors	
Tenor	BVAL Rate as of August 29, 2025
1M	5.0171
ЗМ	5.2321
6M	5.3921
1Y	5.5357
3Y	5.6908
5Y	5.8095
10Y	6.0160

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