

VANTAGE POINT

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



EQUITY OUTLOOK

Market Outlook : Cautiously Bullish

Technicals : Support at 6200 followed by 6000, Resistance at 6500 followed by 6800

Trading Strategy : The PSEi managed to end the week flat despite the GDP miss and weakness in US markets. After a sharp two-month rally, a consolidation is in order.

The PSEi retested its immediate support at the 6,200 level before closing almost flat at 6,329. Net foreign inflows remained slim at Php 492 million, excluding the RCR block sale on Tuesday. The Philippine peso also managed to find its way back to the 58 handle on the back of US dollar weakness as it appreciated by 0.47% week-on-week to 58.89/

The market moving news was 4Q25 GDP YoY growth which dropped to 3% vs. 3.9% in 3Q25. This was also way below consensus forecasts of 3.9%. This brings the FY25 GDP growth to 4.4% vs. 5.7% in 2024. This is below the full year estimate of 4.5% to 5%. Drag came from a huge contraction in capital formation at -10.9% in 4Q25 vs. -2.8% in 3Q25. Growth in government spending and consumption also slowed, offset by accelerated growth in total exports.

However, we note that the Philippine stock market was relatively resilient in the face of the GDP miss, especially considering the sharp declines in the US equities. Software stocks were hammered due to concerns over growth outlook of cloud services and hyperscalers.

US President Donald Trump finally revealed his choice to replace current Federal Reserve chair Jerome Powell when his term ends in May - Kevin Warsh. This was bullish for the dollar and also contributed to the sharp declines in gold and silver which plunged by 14% and 36% on Friday, respectively. This was the largest one-day drop for silver in 46 years.

Philippine Stock Exchange Index (PSEi) 1-year chart



BOND OUTLOOK

Market Outlook : Positive

Trading Strategy : With a crisis averted in Greenland, equity markets and bonds have rallied. A brief "Sell America" trade was reversed with tech stocks flying again and the 10y UST back below 4.25 after hitting 4.3. With local yields following the UST higher, this may be now be a good opportunity to capitalize on the uptick, especially with the 10y 1073 still at 6%

Trump declared that he would not use military action in Greenland and that a framework of a deal was in place with NATO, giving the USA mineral rights sharing in Greenland and allowing it to place the Golden Dome missile defense system. Markets rallied as tensions de-escalated. Local bond yields are still elevated especially on the 10y but already there have been opportunistic buyers. Look to take advantage of the uptick by participating in the weekly auctions to get a better yield pickup, but overall, yields seem attractive already at these levels.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates
Benchmark Tenors

Tenor	BVAL Rate as of January 30, 2025
1M	4.5863
3M	4.6826
6M	4.7725
1Y	4.8412
3Y	5.3796
5Y	5.6551
10Y	5.9868

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