

WANTAGE POINT

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



EQUITY OUTLOOK

Market Outlook: Cautious
Technicals: Support at 5700 followed by 5580, Resistance at 6000 followed by 6200
Trading Strategy: The Philippine market remained resilient and managed to bounce back from last week's dip despite impending headwinds, such as inflation and political risk. Negative risks may have been priced in more than positive ones. Even bad news that is better than expectations may lift the market.

After a massive sell-off last week due to the MSCI rebalancing, the PSEI ascended above 6,000 before closing at 5,938.38, up 2.94% WoW. Many investors took advantage of the liquidity event to buy stocks at bargain prices. The Philippine peso depreciated slightly to 61.72/\$ while net foreign outflows narrowed to PHP853 million for the week.

The headline inflation in May eased to 6.8% from 7.2% in April, bringing the YTD inflation to 4.5%. This was a positive surprise as some analysts were expecting May inflation to even reach 9%. However, a slower increase in fuel prices played a significant role in tempering it. We note that the BSP forecasted May inflation to settle between 7.1% to 7.9%. The lower-than-expected rate may affect the likelihood of an off-cycle interest rate hike before the June 18 monetary policy meeting or a jumbo interest rate hike.

The Trump administration once again proposed additional tariffs of up to 12.5% on imports from 60 countries including the Philippines. Accordingly, countries involved failed to curb the importation of goods made with forced labor which is a violation under unfair trade practices. Currently, a 10% temporary global tariff is imposed which would end on July 24. This would further widen the Philippines' trade deficit which was already in bad shape in April and may weigh on the currency.

Meanwhile, crude oil prices slumped after a 3-day rally. This was after President Donald Trump reportedly told his aides that he is reluctant to stoke another full-scale war with Iran and that the weeklong ceasefire remains. Despite touch and go negotiations with Iran, it seems the further escalation is unlikely and that it will only be a matter of time before the Strait of Hormuz is reopened. This lifted the markets from a pull-back caused by inflation concerns, expectations of Fed rate hikes and a pause in the AI rally.

We want to note that Indonesia is one of the top shorts in Asia right now. After hitting a record high just 5 months ago, it has since fallen 37% as the Indonesian rupiah plunged to record lows. This makes the Jakarta Composite index the worst performing major stock market in the world this year. This was due to many factors including but not limited to the following:

1. MSCI rebalancing that sliced 17% of its market cap due to lack of transparency and questionable float figures
2. Trade surpluses potentially swinging into a deficit
3. The resulting weakness in the Indonesian rupiah
4. Interventionist and populist policies from its current administration
5. Potential credit rating downgrade

These bear watching as Indonesia is our next door neighbor and there are many lessons that we can learn from its ongoing travails.

Philippine Stock Exchange Index (PSEI) 1-year chart



BOND OUTLOOK

Market Outlook: Defensive
Trading Strategy: Continue defensive stance as lower CPI print vs estimates does not mean that inflation is under control. Coming El Niño effect will also put pressure on food prices later on.

Some positive news last week as May CPI came in at 6.8, below market expected 7.8% as oil prices came down from their highs. But with the reescalation of hostilities between US and Iran, and Israel and Lebanon, we wait and see what effect this will have on oil prices. For now it remains orderly. A selloff in US tech may also affect markets globally. Meanwhile, best bet is to stay defensive as we also await BSP meeting on June 18, which will likely be a hike to address rising inflation.

PHILIPPINES 10 YEAR GOVERNMENT BOND



PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of June 05, 2026
1M	4.7051
3M	4.9562
6M	5.3645
1Y	6.0644
3Y	7.0692
5Y	7.3714
10Y	7.5293

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