

EQUITY

The PSEI fell below its 5,800 support level, closing at 5,768.76, down 1.1% MoM and 4.69% YTD, as domestic macroeconomic indicators deteriorated with the Strait of Hormuz remaining closed to seabound traffic. MSCI rebalancing at monthend also resulted in significant foreign outflows. The Philippine Peso hit a record low of 61.75/\$ as concerns over inflation and the ballooning trade deficit took over. Despite these, net foreign selling in May amounted to PhP9.24 billion, which was lower than April's PhP12.71 billion.

Headline inflation in April surged to 7.2% from 4.1% in March, exceeding both the BSP's forecast range of 5.6% to 6.4% and consensus of 5.5%. This brought YTD inflation to 4.0%. The sharp increase mainly came from higher transport, food and utility costs. Consequently, BSP Governor Eli Remolona Jr. stated that an off-cycle rate hike is possible before the June 18 monetary policy meeting if inflation worsens.

Moreover, 1Q26 GDP growth declined to 2.8%, below the consensus estimate of 3.3%. Excluding the pandemic era, this was the slowest GDP print since 4Q09. The main drags were slower capital formation and tepid household consumption.

1Q earnings proved to be uninspiring with most companies merely meeting targets which had already been downgraded. PSEi 1Q26 earnings growth came in at 4.1% as many corporates reported a contraction in net income.

On the geopolitical front, the US-Iran conflict made progress toward a conclusion as both parties reportedly reached a tentative deal, including the eventual reopening of the Strait of Hormuz. As a result, crude oil prices fell by up to 19% MoM, settling at around \$90/bbl. This also lifted global markets, with US indices and other tech-led economies continuing their ascent to new all-time highs.

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**MAY
2026**

FIXED INCOME

It was a very busy month of May, both globally and locally. In world news, we continue to keep an eye on the war in Iran, with both parties looking like they are nowhere near a resolution, despite Trump saying that it could happen anytime. Meanwhile, locally, we were all entertained by the theatrics in the Senate, with 3 coups in a matter of weeks, videos of senators running up stairwells, and gunfights inside the Senate halls.

In the Philippines, as expected, April CPI hits eye-watering levels at 7.2% versus an already high estimate of 5.5% and 4.2% last month. A 3y auction right after the CPI print saw levels at 7%, while the 20y auction was awarded at 7.9%. Meanwhile, USD/PHP continues to tumble to a low of 61.70.

In other news, 2Q GDP comes in at 2.8%, much lower than expected at 3.3%, continuing stagflation concerns. This gives the market some hope that the BSP may not be so gungho in raising rates to combat inflation. The 3y R518 was taken as low as 6.45% from 7.05%, while the 10y 1074 reaches 6.9% from a high of 7.6%.

However, a high CPI print in the US has 10y UST climbing back up to 4.45%, and oil rises back above 100 as tensions rise again in the Middle East.

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