VANTAGE POINT

JULY 20, 2026
MONDAY

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

1 LOCAL EQUITY OUTLOOK

Market Outlook : **Cautious bullish**

Technicals : Support at 6000 followed by 5700, Resistance at 6200 followed by 6500

Trading Strategy : The index has been showing relative strength despite persistent macroeconomic headwinds.The sharp correction in technology and AI stocks may drive a rotation towards traditional economies like the Philippines.

The PSEi climbed 1.87% WoW to a 4-month high of 6,404.11, bringing its YTD gain to 5.80%. The rally was mainly driven by continuous foreign buying with net foreign inflows of PhP890 million during the week. Meanwhile, the Philippine Peso remained resilient as the dollar weakened.

Recently, the regional wage board approved a record 12% increase in the daily minimum wage in Metro Manila, the largest wage hike since 1999. While the increase will help reignite consumption growth, it will also weigh on corporate earnings, especially MSMEs. BSP Governor Eli Remolona Jr. raised concerns over the potential second-round effects on prices. He also noted that the increase was twice the bank's expectation of only 6%. To anchor inflation, the BSP is expected to raise rates at its next policy meeting on August 27.

President Ferdinand Marcos Jr. signed Executive order (EO) No. 119, covering data residency framework for government data. Under the EO, highly sensitive government data must be stored within Philippine territory, including embassies and consulates. Other confidential data may be stored and processed offshore subject to regulatory approvals and appropriate safeguards. Currently, the Philippine data center capacity is around 150 MW while total government data is estimated to be around 200 MW. This provides significant growth opportunity for local data center providers.

Philippine Stock Exchange Index (PSEi) 1-year chart

www.marketwatch.com

Meanwhile, US headline inflation for June came in softer-than-expected at 3.5%, down from 4.2% in May. The lower inflation print eased concerns on inflation substantially reducing expectations of a rate hike at the upcoming monetary policy meeting of Fed on July 29. This weighed on the dollar while providing support for the peso. However, the Fed reiterated that prices remain high. The uptick in crude oil prices due to the renewed conflict between the US and Iran also continues to pose upside risks to inflation alongside massive AI-related capital spending.

2 GLOBAL EQUITY OUTLOOK

Global equity markets closed in the red this week amid a broad sell-off in AI and tech stocks dragged by the declines in the semiconductor and memory chip sectors. The MSCI All Country World Index (MXWD) fell by 1.5% on Friday alone. All major US indices ended lower on Friday,

Asian markets saw sharper declines with South Korea's KOSPI dropping by 6.4%, Taiwan's TAIEX falling by 6.5% while Japan's Nikkei 225 was down by 4.0% on Friday. Meanwhile, the VanEck Semiconductor ETF (SMH), which tracks the 25 largest US semiconductor firms, has declined by 15.1% month-to-date. On the other hand, European markets, which are less exposed to AI and tech, were mixed as FTSE 100 gained 1.0% WoW, the STOXX Europe 600 was up 0.1%, while Germany's DAX was down by 0.9% WoW.

Risk appetite on AI and tech stocks deteriorated due to a mix of factors including China's latest AI breakthrough and open-source models, renewed geopolitical tensions in the Middle East and Fed rate hike expectations later this year. On Friday, Chinese AI startup Moonshot AI unveiled Kimi K3, a new AI model that is comparable to the Anthropic's Claude and OpenAI's ChatGPT but at a significantly lower cost. The company also announced plans to make Kimi K3 publicly accessible later this month. This heightened concerns on intensified competition and the sustainability of massive AI capex. Despite TSMC's strong earnings results, investors took profit as it provided its relatively high capex spending plans.

Meanwhile, renewed geopolitical tensions in the Middle East pushed crude oil prices to a one-month high of $81.78/barrel (WTI). Inflationary pressures coming from elevated oil prices may push the Fed into further raising interest rates. Higher interest rates could also weigh on equity valuations, especially those of highly leveraged and unprofitable tech stocks.

MSCI All Country World Index (MXWD) 1-year chart

http://ph.investing.com/indices/msci-world-stock-chart

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3 BOND OUTLOOK

Market Outlook : Defensive

Trading Strategy : We remain defensive as fighting between Iran and US intensifies again and oil flow through the strait of hormuz is slowing. Inflation fears rise and expectation is for BSP to raise rates 2 more times. For now, we would wait for this and stay on the sidelines.

Trump has said that he is now does not care if Iran would like to make a deal, while the US continues to bomb military targets around the Strait of Hormuz. Meanwhile Israel restarts its hostilities around Lebanon since the ceasefire has broken down. Trump has now also set his sights on Canada, imposing a 50% tariff. Markets have turned defensive on the back of the renewed geopolitical risks. Bond yields have now creeped up again above 7% and with BSP looking to raise rates, we advise to stay on the sidelines and wait for better levels.

Philippines 10 Year Government Bond

https://www.marketwatch.com/investing/bond/ldbmkph-10y/charts?countrycode=bx&mod=mw_quote_tab

PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of July 17, 2026
1M	4.7243
3M	5.0601
6M	5.5324
1Y	5.9811
3Y	6.8199
5Y	7.1460
10Y	7.2826

https://www.pds.com.ph/government-securities/