VANTAGE POINT

AUGUST 03,2026
MONDAY

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

1 LOCAL EQUITY OUTLOOK

Market Outlook : **Neutral**

Technicals : Support at 6200 followed by 6000, Resistance at 6500 followed by 6700

Trading Strategy : The index failed to recover this week as investors repositioned their portfolios following the PSEi's August rebalancing. This temporary pullback as well as the ongoing earnings season provide an opportunity to reevaluate portfolios. If dollar weakness continues, it could also provide support to the market.

The PSEi declined by 0.71% WoW to 6,236.44 following the August index rebalancing as net foreign outflows on Friday alone surged to PhP1.04 billion. Despite this, total net foreign flows for the week turned positive at PhP178 million as the Philippine Peso appreciated to PhP61.20 against a weaker dollar.

Most index names declined on Friday to reflect the changes in the PSEi's composition. MYNLD replaced CNVRG in the main index while CNVRG and PX were added to the PSE MidCap Index, replacing AUB. AEV was also included in the PSE Dividend Yield Index.

Meanwhile, President Ferdinand Marcos Jr. delivered his 5th State of the Nation Address (SONA) on Monday. He tackled key achievements including oil supply security efforts and subsidies during the Middle East conflict, anti-corruption initiatives regarding the flood control issue, food security and agriculture programs, and the new MRT-7 project which is set to operate in 2027. He also outlined plans for the Pax Silica Industrial Hub and the Philippine Spaceport in Cagayan. However, the points most relevant to the stock market were the proposed tax relief measures and the immediate overhaul of the Electric Power Industry Reform Act (EPIRA). The tax reform proposal seeks to raise the annual income tax exemption threshold to PhP350k from PhP250k alongside a one-time tax adjustment for small entrepreneurs and a comprehensive tax amnesty covering unpaid income, estate, and other VAT items. These measures are expected to support consumer spending. On the other hand, the proposed amendment of EPIRA which aims to remove system loss charges being passed on to customers could result in tens of billions of pesos in lost revenues for distribution utilities. Meralco also warned that it would be detrimental especially to smaller players as they could go bankrupt.

Moreover, the market briefly rallied after BSP Governor Eli Remolona Jr. assured that a 50-basis-point interest rate hike at the policy meeting on August 27 is unlikely. On the other hand, the Fed kept interest rates unchanged at 3.50% to 3.75% during its policy meeting on July 29. Even though the Fed waxed hawkish in its monetary policy statement, the dollar corrected even as yields rose.

Philippine Stock Exchange Index (PSEi) 1-year chart

www.marketwatch.com

2 GLOBAL EQUITY OUTLOOK

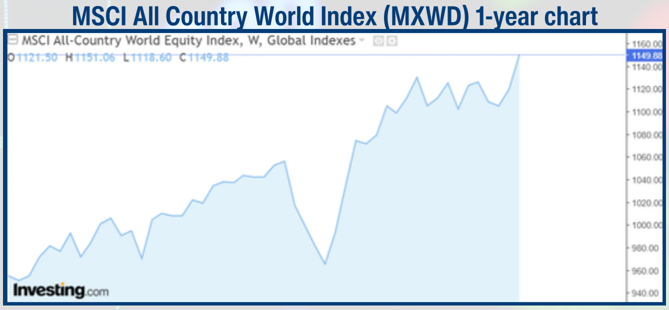
Global equity markets saw heightened volatility this week due to macroeconomic headwinds as well as mixed earnings results in the AI and technology space. The MSCI All-Country World Index (MXWD) increased by 1.4% WoW with most of its gains coming during the last 2 trading days of the week. All major US indices- the S&P 500, Nasdaq, and Dow Jones- inched higher WoW. Meanwhile, Asian benchmarks continued to decline until Wednesday, reaching multi-week lows before rebounding later in the week, although still closing in the red.

South Korea's KOSPI slumped to a record monthly drop mid-week due to panic selling in SK Hynix and Samsung. However, it surged by 18%, a record one-day gain, following favorable updates on the chip demand outlook after Microsoft's and Amazon's earnings results. Similar sentiment lifted Taiwan's TAIEX and Japan's Nikkei 225, with the TAIEX gaining 8% on Friday alone and the Nikkei 225 rising by 4%. Investors also favored the KraneShares CSI China Internet ETF (KWEB), as it gained 8.4% WoW. European markets, including Germany's DAX, UK's FTSE 100 and STOXX 600, further ascended and closed higher WoW.

Market volatility this week was mainly shaped by the earnings results of the Magnificent Seven which comprises Nvidia, Alphabet (Google), Apple, Microsoft, Amazon, Meta and Tesla. Microsoft, Alphabet and Amazon surged by 21.75%, 11.77% and 17% WoW, respectively, while Apple declined by 7.24% WoW and Meta fell by 6.47%. Nvidia and Tesla picked up on Friday but closed lower by 2.94% and 0.58% WoW, respectively. Prior this week, investors penalized companies with aggressive capex spending on AI buildout. However, Amazon's and Microsoft's quarterly results last week proved otherwise. Amazon reported stellar revenues and earnings, beating expectations.

Growth was mainly driven by a surge in revenue of its cloud business, AWS, which rose by 37% YoY. Amazon's earnings growth also outpaced its capex growth, justifying its massive AI infrastructure spending as it translated into stronger cloud demand. Other major cloud providers, such as Microsoft and Alphabet, also exceeded expectations. Microsoft's cloud business, Azure, reported 43% YoY revenue growth while Google Cloud's revenue grew by 82% YoY. This was also bullish for major semiconductor and memory chip suppliers such as SK Hynix and Samsung. In contrast, Meta plummeted due to a sharp decline in its free cash flow YoY. Apple also fell after it warned about supply constraints and provided subdued guidance.

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



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

Moreover, the Fed kept its policy rates unchanged at 3.50% to 3.75% during its meeting on July 29. However, this raised concerns especially on the Fed's ability to manage inflation as upward pressures persisted mainly coming from the spike in energy prices, food inflation risks from El Nino and AI infrastructure spending. Fed Chair Kevin Warsh also refrained from providing guidance ahead of its meeting in September. Bond yields rose after while the dollar weakened. On the brighter side, the deescalation between US and Iran caused crude oil prices to pull back. WTI crude oil prices dropped by 8.91% in 3 trading days from its recent peak while it closed at $84.7/bbl, lower by 0.56% WoW.

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3 BOND OUTLOOK

Market Outlook : Neutral

Trading Strategy : Sudden shift as there looks to be hope of a ceasefire in the middle east. Oil is already headed lower and UST yields have stabilized. Now that some risk is taken away, 7% levels seem like a good entry point. However we are still wary of the Fed as some still see a hike.

Markets are cautiously optimistic that a peace deal is on the horizon again, as the bombings have quieted down. Oil prices are already lower even without a formal deal yet. Meanwhile local bonds are already moving lower with demand on the 3-5y space keeping yields low despite market outlook for 2 more hikes by the BSP. It seems that market is content to snap up short tenors while yields are still at the 7% level. This does provide a good entry point especially if looking at a more long term view.

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 31, 2026
1M	4.7660
3M	5.0265
6M	5.5261
1Y	5.9487
3Y	7.0125
5Y	7.3259
10Y	7.4299

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