VANTAGE POINT

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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 corrected mainly due to peso depreciation and inflation concerns.However, the market managed to bounce back after the US government supported the bond market through a buyback. It remains to be seen how long the peso can hold before it breaches the crucial 62/$ level, which could further pressure the market. We note that there is a Monetary board meeting next week which investors are closely awaiting.

The PSEI momentarily fell by 1.7% on Wednesday before rebounding to 6,238.46, down 0.93% WoW. This was primarily due to higher crude oil prices amid the reescalation of conflict in the Middle East which also led to peso depreciation. The Philippine Peso weakened to 61.82/$ on August 19, its lowest since July 24 when it closed at 61.85/$. Net foreign flows for the week remained negative at PhP2.05 billion.

The 60-day ceasefire between the US and Iran expired on August 17. However, renewed tensions in the Middle East ruled out expectations of an extension of the ceasefire or even an end to the war. This raised concerns over prolonged energy supply disruptions. This caused crude oil prices to bounce back to $87.23, up 16% from its dip on August 5. As a result, government bond yields globally, particularly with maturities of 10 years and longer, rose to multi-year and multi-decade highs. The US 30-yr Treasury yield reached a high of 5.34%, its highest level since 2007. The dollar further weakened after.

Philippine Stock Exchange Index (PSEi) 1-year chart

www.marketwatch.com

Inflation fears from the rally in crude oil prices caused a sharp depreciation of the peso, reaching an intraday low of 61.995/$, retesting the crucial 62/$ level. Meanwhile, peso weakness could make exports more competitive. This is also beneficial for mining companies with revenues that are dollar-dominated. On the other hand, it could put more pressure on imported input costs of consumer companies.

2 GLOBAL EQUITY OUTLOOK

Global markets pulled back this week from record highs due to the surge in long-term government bond yields globally. The MSCI All-Country World Index (MXWD) was down by 0.9% WoW to 1,149.8. Major US Indices also declined with the S&P 500 and Dow Jones falling by 1.4% and 0.8%, respectively, while the tech-heavy Nasdaq dropped by 2.5% WoW. South Korea's KOSPI declined by 0.9% WoW but performed better than Japan's Nikkei 225 which was down 3.9% and Taiwan's TAIEX which dropped by 1.3% WoW. European markets also declined, except for the FTSE 100 which increased by 0.6% WoW.

Long-dated government bond yields in the US, Europe and Japan surged to multi-year highs. The US 30-yr Treasury yield reached 5.339%, its highest level since June 2007. 10-yr Treasury yield also hit 4.75%, a 19-month high. Higher yields generally lead to lower equity valuations, hence the pressure on stock prices. High-flying chip and memory stocks are particularly vulnerable to this. The dollar also continued to weaken despite plans from the US Treasury to double its bond buybacks in the coming months. However, analysts suggest that the long-term solution is to address the US' ballooning government debt. Fears also stemmed from inflation concerns on rising crude oil prices and continuous energy supply disruptions following the unresolved conflict in the Middle East.

The 60-day ceasefire between the US and Iran expired on August 17. However, the ongoing conflict in the Middle East ruled out expectations of an extension of the ceasefire or even an end to the war. This caused crude oil prices to bounce back to $87.23, up 16% from its dip on August 5. Moreover, energy supply disruption caused by the US-Iran conflict depleted the US Strategic Petroleum Reserve (SPR) to below 300 million barrels, its lowest level in more than 4 decades. SPR releases help mitigate further increases in crude oil prices. However, low inventories pose a risk to the US' ability to respond to another major supply disruption in the future.

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

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

www.philequity.net ask@philequity.net

3 BOND OUTLOOK

Market Outlook : Neutral

Trading Strategy : Yields are on the defensive, taking their cue from rising rates in UST. Fed seems to turn hawkish after some stronger than expected data. Local bonds have been sideways to more defensive as bids are higher by 5bp across the curve. For now, without any new catalysts, we remain neutral to defensive.

With not much happening in the local space to move bonds either way, market has taken this as a cue to lock in some profits after a good 10-20bp move lower below the 7% threshold. UST yields are under pressure as well with the Fed turning more hawkish. There were attempts by Treasury Sec Bessent to please the market by doubling treasury purchases on the long end of the curve but this also fizzled out. With uncertainty over the war, we have a stronger USD across and higher UST yields. For now we look to stay on the sidelines.

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 August 20, 2026
1M	4.7644
3M	5.0025
6M	5.3212
1Y	5.6593
3Y	6.6877
5Y	7.0726
10Y	7.3052

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