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 6000 followed by 5700, Resistance at 6200 followed by 6500

Trading Strategy : The index held firm despite the Philippine Peso falling to an all-time low of 62.66/$. Persistent inflation remains a concern both domestically and abroad, driving volatility in bond yields and key policy rate expectations. We remain cautious and selective as we navigate a higher-for-longer rate environment.

The PSEi rebounded above the 6000 level to 6,090.60, up 2.25% WoW, bringing its YTD return to 0.62%, as investors went bargain-hunting following the MSCI rebalancing sell-off. The market was also supported by better-than-expected manufacturing activity in August. Net foreign selling tapered off to PhP1.35 billion this week. This was despite the Philippine Peso weakening further to a new all-time low of 62.66/$, making it the worst-performing currency in Asia YTD.

The country's Manufacturing Purchasing Managers' Index (PMI) in August accelerated to 54.9 from 51.8 in July. The substantial growth in manufacturing output was supported by business expansions and higher exports, underpinned by stronger demand. This also came as inflationary pressures eased in August. We note that manufacturing comprised 17% of GDP in 2Q.

Meanwhile, long-term Treasury bond yields globally soared to multi-year highs due to sticky inflation, ballooning government debt, and widening budget deficits. Bloomberg reported that the average government bond yield of the G7 developed economies, composed of the US, UK, France, Germany, Italy, Canada, and Japan, reached its highest level since 2000. The US 10-yr Treasury yield hit 4.8%, its highest since January 2025, while the 30-yr bond yield remained at a 2-decade high. The UK's 30-yr government bond rose to its highest since 1998. Japan's 10-yr bond yield surpassed 3% level for the first time since 1996, as the Bank of Japan is expected to raise interest rates to support the yen. France's 10-yr bond yield also rose near its 2008 highs due to government borrowing level concerns. Following this, the dollar strengthened causing the Philippine Peso to depreciate to an all-time low of 62.66/$. However, yields subsequently corrected after Federal Reserve Governor Christopher Waller said he was inclined to keep interest rates unchanged at the Fed meeting later this month.

Philippine Stock Exchange Index (PSEi) 1-year chart

www.marketwatch.com

2 GLOBAL EQUITY OUTLOOK

Global markets continued their decline earlier in the week as bond yields surged following hawkish remarks from Fed Chairman Kevin Warsh at the Jackson Hole Symposium. However, some markets managed to bounce back toward the end of the week after Fed Governor Christopher Waller signaled support for keeping rates unchanged, depending on the August CPI data to be released next week. The MSCI All-Country World Index (MXWD) was flat WoW. Major US indices were mixed, with the S&P 500 and Nasdaq outperforming, while the Dow Jones declined by 0.3% WoW. South Korea's KOSPI fell further by 1.5%, while Japan's Nikkei 225 turned negative, declining by 2.1% WoW. Taiwan's TAIEX and the UK's FTSE 100 outperformed. However, Germany's Dax and Europe's STOXX 600 were down WoW.

Fed Chair Warsh's hawkish stance drove long-term government bond yields globally to multi-year highs. Warsh highlighted the Fed's commitment to bringing inflation back to its 2% target. At the same time, investors remained concerned about risks coming from ballooning government debt, widening budget deficits and the central bank's ability to anchor inflation. Bloomberg reported that the average government bond yield of the G7 developed economies- the US, UK, France, Germany, Italy, Canada, and Japan, reached its highest level since 2000. The US 10-yr Treasury yield hit 4.8%, its highest since January 2025, while the 30-yr bond yield remained near a 2-decade high.

The dollar strengthened following the massive sell-off in bonds, while the Philippine Peso depreciated to a new all-time low of 62.66/$. Meanwhile, the Japanese yen appreciated against the dollar, rising by 1.8% on September 3 to 155.82/$. This was yen's biggest one-day gain since the US-Japan intervention on July 31. The surge in yen was driven by investor expectations of an interest rate hike by the Bank of Japan at its policy meeting on September 17-18. This was also amid speculations of further currency intervention by the BoJ.

Later in the week, remarks from Fed Governor Christopher Waller provided cushion to markets. In contrast to Fed Chair Warsh's hawkish stance, Waller indicated that recent data were showing signs of disinflation, which could support keeping rates unchanged at the Fed's September 16 meeting. However, he reiterated that the decision would still depend on the August CPI data which will be released on September 11.

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

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

3 BOND OUTLOOK

Market Outlook : Defensive

Trading Strategy : Market has shifted to pricing in 2 25bp hikes by the Fed after the hawkish comments from Fed Chair Warsh. Strong US data also supports higher rates. We think that market will be defensive for the medium term, with some risk also coming if more supply comes in from an RTB offering.

A hawkish Fed has rates rising by around 10bp on the 10y UST while the longer 30y UST is at historical highs. Oil prices are also rising further with reports of more bombings by Iran causing Brent to reach $100/bbl again. For now we think sentiment should remain defensive, causing bids to pull back and market movement to be quiet for now. Rates on the belly of the curve are solidly at 7%, which should be a good level, though we think waiting for better levels would be prudent.

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 September 04, 2026
1M	4.9219
3M	5.1144
6M	5.4803
1Y	5.7424
3Y	6.7578
5Y	7.1263
10Y	7.2885

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