

VANTAGE POINT

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

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LOCAL EQUITY OUTLOOK

Market Outlook : Cautious

Technicals :

Trading Strategy : The PSEi fell further to a 4-month low as the Philippine Peso remained weak amid a stronger dollar, while the global bond sell-off pushed yields to multi-decade highs. The decline was further exacerbated by a subdued domestic economic growth outlook. It is best to remain patient and selective.

The PSEi plunged to a 4-month low of 5,825.97, down 0.51% WoW, bringing its YTD return to -3.75%. The Philippine market wasn't spared from the global stock market sell-off following the surge in bond yields on higher-for-longer rate expectations. This was also on the back of a weak peso which closed at PhP62.47 against a resurgent US dollar. Net foreign selling for the week decreased to PhP816 million as investors went bargain hunting on Friday.

Just as the Fed raised its policy rate, analysts are now accounting for another rate hike by the BSP amid persistent inflationary pressures. These include wage hikes, higher crude oil prices, the anticipated impact of the Super El Nino, and tighter monetary policy by the US Fed. BSP Governor Eli M. Remolona, Jr. indicated that the BSP will raise rates as necessary to bring inflation down to the 3% target. A 25-bps hike in October is widely anticipated.

Meanwhile, the domestic macroeconomic landscape continued to weaken. The Asian Development Bank (ADB) and S&P Global Ratings (S&P) downgraded their GDP forecasts for the Philippines this year. ADB cut its 2026 GDP forecast to 3.3% from 3.8% while S&P lowered its forecast to 2.9% from 4.1%. They cited escalating geopolitical tensions, elevated inflation and weak government investment. The BSP also reported that the balance of payments (BOP) deficit widened to \$5.9 billion as of YTD August, from \$5.7 billion the same period last year. This puts more downward pressure on the peso.

The Philippine 10-yr Government bond yield rose above 7.6%, a 4-month high. This was alongside a surge in bond yields globally to new multi-year highs. The US 30-yr Treasury bond yield reached 5.47%, its highest level in 22 years, while the 10-yr Treasury yield climbed to 5.18%, a 19-year high. This was driven by expectations of higher interest rates, widening government deficits and persistent inflation.

Ayala Corporation (AC) signed an agreement with Mitsubishi Corporation (MC) to increase MC's stake in the company from 4.7% to 15%. This will be done through a combination of primary and secondary shares, and a voluntary tender offer at P650/sh. AC expects to receive around PhP20 billion in proceeds, which it will use to reduce its debt load and finance its buyback of shares as well as support growth initiatives. After the transaction, AC's public float will be reduced to 40%, which will still allow it to remain part of the index.

Philippine Stock Exchange Index (PSEi) 1-year chart



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GLOBAL EQUITY OUTLOOK

Global markets were broadly higher this week, with all major indices gaining WoW despite the Fed's recent rate hike and another surge in bond yields. This was following positive developments in the Middle East and renewed optimism in AI and semiconductor stocks. The MSCI All-Country World Index (MXWD) increased by 0.94% WoW to 1,148.2. The market rally was led by Nasdaq which was up 3.3% WoW as it reached a new record high. S&P 500 also outperformed the benchmark, while Dow Jones rebounded WoW. Major Asian indices- South Korea's KOSPI, Taiwan's TAIEX, and Japan's Nikkei 225, outperformed the benchmark by a wide margin. European markets also recovered.

The Federal Reserve unanimously voted for a 25-bps rate hike, raising its target range to 3.75%-4.00%. Fed Chair Kevin Warsh reiterated the Fed's commitment to price stability as inflation remained "too high for too long." Warsh also highlighted the resilience of the US economy. The Fed signaled another rate hike this year as indicated by 16 out of 18 FOMC officials. Bond yields fell following the announcement though they remained elevated, while the dollar spiked.

Bond yields globally reached new multi-year highs. The US 30-yr Treasury bond yield reached 5.47%, its highest level in 22 years, while the 10-yr Treasury yield climbed to 5.18%, a 19-year high. This was driven by expectations of higher interest rates, following Fed's rate hike and hawkish outlook, widening government deficits and persistent inflation.

Despite the surge in bond yields, stock markets rallied, led by AI and semiconductor stocks. Meta introduced Muse Charm, a handheld device which utilizes its agentic AI, Muse. This drove demand expectations for memory chips and semiconductors. Meanwhile, positive investor sentiment was also boosted by Iran's proposal to reopen the Strait of Hormuz within 7 days if the Trump administration agrees to its conditions. Hopes for an agreement caused crude oil prices to ease below \$100/bbl.

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



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



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BOND OUTLOOK

Market Outlook : Defensive

Trading Strategy : Markets still watching UST yields as they march higher, now well above 5.2 for the 10y. This has local bonds on the cautious side but levels seem to be steady as rates look attractive. However we would remain on the sidelines as US yields keep rising and the RTB issuance is coming out, which would give new supply to the market.

Fed has its work cut out for them as the market looks like it is moving ahead of the central bank, pricing in a rate hike for October as well, not just December. 10y UST yields continue to spike, while hope of a ceasefire in Iran looks bleak. Meanwhile a new 2.5y RTB has been announced and is being priced this week, which should offer supply in the market, so yields may be defensive locally as well as market may need to sell older holdings to buy the new RTB.

Philippines 10 Year Government Bond



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

PHP BVAL Reference Rates Benchmark Tenors

Tenor	BVAL Rate as of September 25, 2026
1M	5.1552
3M	5.4176
6M	5.7811
1Y	5.9782
3Y	6.9963
5Y	7.3764
10Y	7.7057

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

