AUGUST 31,2026
MONDAY

VANTAGE POINT

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 slid further as the Philippine peso hit record lows breaching 62/$ level. Combined with MSCI rebalancing outflows, Philippine stocks have become extremely cheap, although risks still outweigh catalysts for most names. We note that exporters and mining stocks will benefit from the recent bout of peso weakness.

The PSEi fell by 4.5% WoW to a 7-week low of 5,956.33, breaking the crucial 6000 support level as the Philippine peso also plunged to new record lows. This was fuelled by a deteriorating economic growth outlook as inflation remained stubbornly high due to the smoldering conflict in the Middle East. Final adjustments following the rebalancing of the MSCI Philippines standard index for September also took effect on the last trading day this month, leading to significant net foreign outflows amounting to PhP 7.1 billion.

The BSP raised its key policy rate by 25 bps to 5.0% in its Monetary Board policy meeting in August. This was widely expected by analysts and economists. Inflation risks remain tilted to the upside due to the possible impact of a severe El Nino, especially on agriculture prices such as rice, as well as the uptick in crude oil prices and wage rate hikes. The BSP's average headline inflation forecast for 2026 is now at 6.1%, higher than the target range of 2.0-4.0% but lower than its initial forecast of 6.4%. The 2027 forecast, on the other hand, was raised to 5.4% from 4.5%. BSP Governor Eli Remolona Jr. said inflation is expected to peak around 4Q26 before easing in 2027. Remolona noted that this rate hike is "preemptive" and that "we're hoping we won't need another rate hike."

Thus, despite tighter policy from the BSP, the dovish hike combined with tepid growth expectations caused the Philippine peso to depreciate to a new all-time low of PhP 62.26/$. Now down 5.5% YTD, a continuation of this breakdown is likely to negatively impact equity prices.

Meanwhile, Moody's analytics maintained its investment grade rating for the Philippines at Baa2. However, it lowered its GDP growth forecast for the year to 3.0% from 4.0% due to weaker domestic demand, consumption and investment spending caused by inflationary pressures.

In the US, Fed Chairman Kevin Warsh delivered his first keynote address at the annual Jackson Hole Symposium. Warsh signaled a hawkish stance, highlighting sticky inflation and the Fed's commitment to bringing inflation back to its 2% target. Warsh said that the July personal consumption expenditures (PCE) inflation at 3.7% was concerning and so the Fed's priority now should be on prices. Market expectations for a September rate hike reportedly increased to 60% from 35% before the speech. This drove the dollar up WoW.

Philippine Stock Exchange Index (PSEi) 1-year chart

www.marketwatch.com

2 GLOBAL EQUITY OUTLOOK

Global markets rebounded from their lows last week supported by Nvidia's stellar earnings and hopes for diplomacy in the Middle East. However, investors turned cautious toward the end of the week following Fed Chairman Kevin Warsh's speech at the Jackson Hole Symposium. The MSCI All-Country World Index (MXWD) increased by 0.3% WoW to 1,153.2. All major US indices- the S&P 500, Nasdaq, and Dow Jones- outperformed the benchmark WoW. Asian indices were mixed, with South Korea's KOSPI declining by 1.8% WoW, Taiwan's TAIEX rising by 2.4 % WoW, and Japan's Nikkei 225 increasing by 0.6% WoW. European markets also rose WoW led by Germany's DAX.

The market recovery was driven by optimism surrounding AI and technology. This was after NVDA reported better-than-expected earnings and revenues in 2Q driven by its data center business. NVDA also expects its fiscal 2028 revenue to grow by 70%. Except for TSLA, the Magnificent Seven's AAPL, MSFT, GOOGL, AMZN, META, and NVDA all outperformed MXWD and Nasdaq by a wide margin. However, semiconductor and chip stocks remained subdued due to persistent inflation concerns.

Crude oil prices eased last week after Iran engaged in diplomatic efforts to reopen the Strait of Hormuz following Qatar's call to respect freedom of navigation. However, the US remains disengaged. Meanwhile, Warsh delivered his first keynote address at the annual Jackson Hole Symposium. Warsh reiterated the Fed's commitment to bringing inflation back to its 2% target, highlighting July personal consumption expenditures (PCE) inflation of 3.7% as a concern. Subsequently, the dollar strengthened by 0.58%, while the Philippine Peso depreciated significantly, reaching an all-time low of 62.26/$.

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 : Yields turned defensive again last week as renewed tensions in the Middle East spilled over to fresh bombings between Iran and the US over the weekend. We also had hawkish comments from Fed Chair Warsh in Jackson Hole. Yields are steepening with the belly to long end up about 5-10bp. We would remain cautious and stay on the sidelines for now.

Renewed bombings in the Middle East and hawkish comments coming out of Jackson Hole by Fed Chair Kevin Warsh has UST yields higher, with the 10y UST up to 4.76. Local bond yields are defensive in sympathy, but also because of comments from BSP Gov Remolona that fundamentals in the Ph are weak and that they would not defend the USDPHP. USDPHP indeed broke 62 to hit a high of 62.27 with BSP only smoothening out the move. This would probably mean even more outflows from local bonds because of the depreciation hurting foreign holders. Thus we would be wary of entering at these 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 August 28, 2026
1M	4.8853
3M	5.0934
6M	5.4872
1Y	5.7017
3Y	6.6859
5Y	7.0658
10Y	7.2577

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