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 : Fed rate hike expectations and rising bond yields continue to hammer equity markets. The dollar subsequently strengthened, putting further downward pressure on the peso. We remain cautious as we await the Fed's decision on September 16.

The PSEi closed at 6,061.81, down 0.47% WoW, as investors turned cautious ahead of the release of the US CPI data for August. The decline was also due to the further depreciation of the Philippine Peso, which hit a new all-time low of 62.68/$ on Friday. Foreign investors remained net sellers for the week, with outflows totaling PhP760 million. This comes ahead of FTSE rebalancing on September 18.

Headline inflation in August eased to a 5-month low of 6.1% from 6.2% in July, bringing the YTD inflation to 5.2%. This was in line with consensus and within the BSP's forecast range of 5.5-6.5% for the month. The decline was due to slower increases in food and non-alcoholic beverages, as well as utilities. However, the BSP reported that the overall business confidence index in July weakened as it turned negative from neutral in June. The confidence index outlook for the next 12 months also declined to 29.4% from 42.4%.

Meanwhile, the Philippine peso weakened to a new record low of 62.68/$ this week. This was on the back of the dollar strengthening toward the end of the week in anticipation of the Fed's decision on whether to raise or keep rates unchanged at its policy meeting on September 16. Moreover, investors turned cautious after crude oil prices rose above $100/bbl, the highest since May. This was after the biggest wave of attacks on ships by US and Iran occured. Further constraining oil supply is the Houthi assault on Yemeni territory. As of this writing, the Iran-backed militia has captured the port city of Mokha and Perim Island as it threatens Red Sea chokepoints.

On bonds, The US Treasury Department announced buyback plans of up to $6 billion targeting 10-and 20-year Treasury notes. However, markets reacted negatively as bond yields still rose further following the announcement.

Philippine Stock Exchange Index (PSEi) 1-year chart

www.marketwatch.com

2 GLOBAL EQUITY OUTLOOK

Global markets were in the red this week due to worsening geopolitical tensions, surging crude oil prices, sticky US inflation, rising bond yields and Fed rate expectations. The MSCI All-Country World Index (MXWD) declined by 0.91% WoW to 1,143.2. All major market indices in the US, Asia and Europe were down WoW, except for South Korea's KOSPI which was up 3.3% WoW. The S&P 500, Nasdaq and Taiwan's TAIEX still outperformed the benchmark.

Meanwhile, crude oil prices surged above $100/bbl, the highest since May due to escalating tensions in the Middle East. The US and Iran executed the biggest wave of attacks on shipping vessels since the war began. Constraints on oil supply further contributed to the surge after Iran-backed Houthi rebels took control of a port city in Yemen, blocking the Bab el-Mandeb strait in the Red Sea. Disruptions to this route could reduce oil supply coming from Saudi Arabia, the world's biggest oil exporter.

Despite the US Treasury's announced plans to triple bond buybacks to up to $6 billion, bond yields still rose as investors priced in higher rates ahead. The European Central Bank implemented its second rate hike ahead of Fed's decision. The Bank of Japan is also widely expected to raise rates in the same week.

The US CPI data came in largely as expected, with consumer prices rising by 0.4% MoM in August, higher than the 0.1% increase in July, while annual inflation stood at 3.4%. However, core CPI increased by 0.3%, slightly higher than expected. This drove long-term bond yields to new record highs, with the US 10-yr Treasury yield closing at 4.975% and the 30-yr Treasury yield at 5.354%, both at the highest levels since 2007. The dollar strengthened after.

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 remains defensive as bids pull back another 20bp on the back of UST yields rising. Fed is turning more hawkish by the day and oil prices are firmly above 100 again. With no new positive catalysts upcoming, we would remain defensive and will wait for better levels.

The war in the Middle East is looking more and more like a prolonged one with oil spiking again above 100/bbl. Meanwhile strong data in the US is putting more pressure on the Fed to raise rates. It would not be a surpise if the Fed raises by 50bp in its next meeting, though market consensus is for 2 25bp hikes in September and December. With all the bad news for yields, local bonds have risen and bids are hard to find. We remain defensive with the outlook for bonds not looking promising anytime soon.

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 11, 2026
1M	5.0027
3M	5.2313
6M	5.5692
1Y	5.8151
3Y	6.8985
5Y	7.2865
10Y	7.4313

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