

VANTAGE POINT



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1

LOCAL EQUITY OUTLOOK

Market Outlook : Cautious

Technicals :

Trading Strategy : Despite macroeconomic headwinds and continued peso depreciation, the PSEi managed to close above its intermediate low of 5,584 which was set on November 2025. While many valuations have reached levels of distress, it is best to focus on stocks that can weather macro risks or have turnaround stories.

The PSEi retested its crucial support level of 5,600 before bouncing back to close at 5,700.99, up 1.28% WoW. Inflation concerns and the anticipated impact of El Nino further weighed on the market. The Philippine Peso also touched a new intraday low of 62.88/\$. Foreign selling slowed down as it amounted to PhP1.30 billion for the week. This brings the YTD total to PhP34.8 billion.

Headline inflation in September soared to 7.2% from 6.1% in August, bringing average YTD inflation to 5.4%. The inflation print in September was closer to the higher end of the BSP's forecast range of 6.4% to 7.4%. The surge was driven by faster price increases in food and non-alcoholic beverages, housing, utilities, and transportation. Weather-related damage, food supply chain disruptions and higher oil prices contributed to rising prices. Rice inflation also remained elevated at 20.3% as well as corn prices at 17.3%.

Meanwhile, rice inventories declined by 8% YoY to 1.91m MT in September. Warehouse inventory of the National Food Authority (NFA) also dropped by 36%. The NFA said that it intentionally lowered its inventory levels to be able to purchase unmilled rice during the wet harvest season in October. Still, we note that low rice inventory levels prior to the onset of El Nino pose a significant risk. Moreover, the Department of Energy warned that the impact of El Nino on power supply could push power rates higher. The unusually warm weather could also spur higher electricity demand. At a business event on Friday, BSP Governor Eli Remolona Jr. said that "the scenario we care about the most is El Nino... there is bad El Nino, which is really really bad news so we have to worry about those scenarios and decide on monetary policy based on that."

Persistent upward pressures on inflation boosted expectations of another rate hike by the BSP. This drove the Philippines' 10-Y government bond yield above 8%, its highest level since 2018.

Philippine Stock Exchange Index (PSEi) 1-year chart



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2

GLOBAL EQUITY OUTLOOK

Global markets were generally resilient last week, with most major indices ending green WoW. The MSCI All-Country World Index (MXWD) gained 0.65% WoW to 1,147.3. While most US equity indices gained WoW, the Nasdaq underperformed relative to MXWD. Taiwan's TAIEX and Japan's Nikkei 225 outperformed the benchmark while South Korea's KOSPI fell by 5.39% WoW. European markets were mixed, with Germany's Dax closing in the red, UK's FTSE 100 outperforming, and Europe's STOXX 600 ending flat WoW.

Crude oil prices turned volatile again amid push and pull developments in the Middle East. Oil prices initially pulled back on optimism following reports that oil flows had returned to near pre-war levels while traffic through the Strait of Hormuz gradually recovered. However, ships passing through the strait continued to face attacks. Iran-backed Houthis also launched attacks on the Riyadh international airport with more than 10 confirmed deaths and dozens injured. Toward the end of the week, Trump announced that the US would not attack Iran before the midterm elections on November 3. All told, crude oil prices remained elevated.

Meanwhile, concerns are growing over the widening France-Germany OAT-Bund spread as France's 10-yr government bond yield nearly reached 5%, its highest level since 2002. The gap between French and German bonds soared beyond 140 bps, the widest since the eurozone debt crisis in 2011-2012. This indicates investors' increasing concerns on France's fiscal position and borrowing risks relative to Germany, which is known as the safest borrower in Europe. French debt now stands at 119% of its GDP while its deficit is expected to reach 5.4% this year, higher than EU's deficit limit of 3% of GDP. The French government aims to bring down the deficit to 5% but struggles to get it ahead the presidential election next year. France is the second largest economy in Europe so there is a risk that Europe as a group gets dragged down.

In the US, a Fed rate hike in October now appears unlikely due to soft economic data. However, Treasury yields remained elevated after Fed signaled further hikes after this month to tackle sticky inflation.

The Nasdaq dropped on Thursday following OpenAI's disappointing revenues. Chip stocks, as well as AI and tech names, came under pressure after OpenAI's revenues fell short of expectations. South Korea's Samsung and SK Hynix also significantly corrected due to bond yield concerns and anticipated profit-taking in the semiconductor space.

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 continue to push higher, with bonds across the curve higher by as much as 30bp to track the move in UST and taking into account the higher inflation print. We would continue to be cautious as there is no catalyst to move yields lower, save for a miraculous peace agreement between the US and Iran.

Market was surprised by a high inflation print of 7.2 vs expectations of 6.8 last September, reflecting higher oil prices but now showing food prices are increasing due to the El Nino effect, which is not even full blown yet. If oil remains sticky at the 100 level, and we see rice and food prices elevate further, we expect the BSP has no choice but to keep raising interest rates, which would make a 7% level for current bonds seem low, which is why most bonds are now approaching the 8% level.

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 October 09, 2026
1M	5.5176
3M	5.7615
6M	6.0920
1Y	6.2081
3Y	7.2497
5Y	7.6248
10Y	7.8737

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

