

PHILSTOCKS 2026 INITIAL PROJECTIONS:

NAVIGATING GROWTH POTENTIAL AND MARKET RISKS

2025 has left us with an underperforming economy and equities market hammered mainly by the Philippines flood control related corruption issues. This 2026, market opportunities are seen backed by sound corporate fundamentals. However, revived confidence in the local economy is deemed needed to bring vigor into the local bourse.

A Recap of Last Year

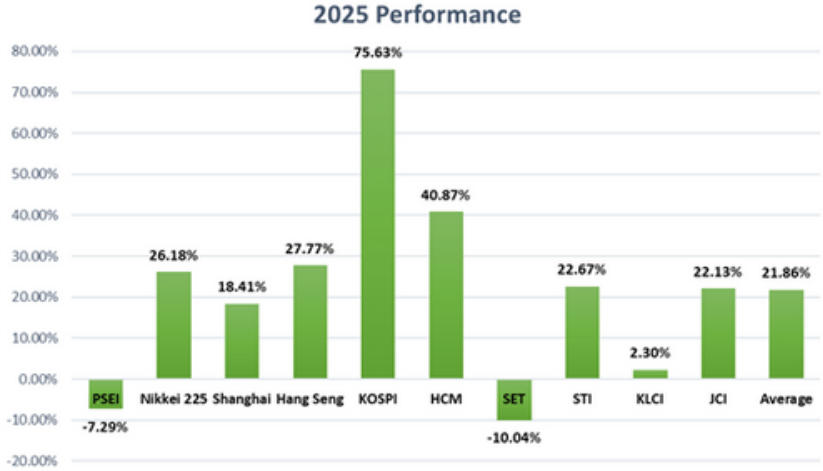
The Economic Story

In 2025, the Philippine economy expanded by 4.4%, its slowest since 2011's 3.9% (barring the 2020 contraction). From an expenditure standpoint, the main drag was investments which contracted by 2.1%. This is mainly due to the drop in public infrastructure spending amid the investigation of the country's flood control corruption issues. Household consumption which is our local economy's main engine, experienced a growth of 4.6%, the slowest since 2021's 4.2%. This can be attributed to the decline in consumer confidence as the tempered economic outlook weighed on household's job and income prospects. Inflation was benign for the year, averaging 1.7%, slower than 2024's 3.2%. This comes as food and non alcoholic beverages inflation significantly slowed down amid the normalization of production and easing of import barriers. Adding to this was the decline in global oil prices. Core inflation was also slower in 2025 at 2.4% compared to 2024's 3.0% implying that demand side pressures were under control. With the tempered inflation and underperforming economic growth, the Bangko Sentral ng Pilipinas reduced its policy rate last year by a total of 1.25 percentage points to 4.50%. The move was done to stimulate overall demand within the local economy which in turn would help in re-accelerating its expansion.

Local Market Recap

The PSEi closed 2025 at 6,052.92, down by 7.29% from the 2024 level. Net value turnover averaged P5.91 billion per day during the year, improving from last year's P5.15 billion. Foreigners were net sellers with net outflows at P47.13 billion, more than last year's P25.25 billion. It was a bearish year for the local market, reflecting the drop in investors' confidence towards the local economy amid its growth slowdown and dimmed outlook. The Philippines' economic growth decelerated to 4.4% in 2025 including a 3.0% expansion in Q4 due to the fall in public infrastructure spending amid the investigation of the flood control corruption issues. Growth projections have also been trimmed amid the uncertainties over the said corruption cases coupled with the trade frictions with the US caused by its tariff policies. Aside from growth concerns, the local market was weighed by the weakness of the Philippine Peso, whose impact was felt primarily through the exit of foreign funds.

The local bourse has also been one of the worst-performing markets in East and Southeast Asia. Aside from the local headwinds that restrained the market from catching up with its regional peers, the PSEi was also left behind the global Artificial Intelligence trend, as it has little exposure to the said sector.



INITIAL PROJECTIONS

Economic Growth

For 2026, we forecast the Philippine economy to expand by 5.0%, faster than the 4.4% growth seen in 2025. The faster economic growth is hinged on the expected improvements in public infrastructure spending and the effects of the Bangko Sentral ng Pilipinas' monetary policy easing.

While still on a cautious tone, we expect public infrastructure spending to improve this year, especially since the government has already placed measures against corruption. This is expected to reinvigorate the country's labor market, which experienced a decline in the number of employed in the second half of 2025. The rebound in public infrastructure spending is also expected to boost the country's capital formation.

Meanwhile, we expect the lag effects of the Bangko Sentral ng Pilipinas' policy rate cuts to augment private demand through more affordable loans. The lower interest rates are expected to encourage more borrowing, which in turn would boost household consumption and private investments.

Finally, Overseas Filipino Workers' cash remittances are also expected to help, as these would give more spending power to consumers and boost investments via demand for residential spaces.

On the other hand, posing downside risks to our economic growth, this year are the rise in inflation and challenged exports.

Inflation is projected to accelerate this year, in turn tempering household consumption growth. Still, impact is expected to be limited as inflation is seen to remain within manageable levels.

Finally, the US' 19% tariffs on some Philippine goods and the slowdown in growth of some trading partners, including China and the European Union, may weigh on our country's export performance. This, in turn, would weigh on our GDP growth.

Inflation Rate

For 2026, we project inflation to accelerate to 3.2% from 2025's 1.7%. This comes amid a combination of low-based effects, rising household demand, and a depreciated currency.

The expected recovery in the labor market and the lag effects of the BSP's monetary policy easing is expected to boost household consumption, in turn strengthening demand-side pressures on the general price level. Meanwhile, food prices are still expected to rise this year as the country's overall agricultural production may not be able to cover the country's demand. This would be tempered by the country's importation of agricultural products. Finally, the expected further depreciation of the Peso this year is seen to make our imported goods more expensive, which in turn would add to the inflationary pressures.

Philippine Peso to US Dollar

The local currency is projected to depreciate further against the US Dollar this 2026, averaging 59.5, compared to 2025's 57.5 as the Philippines is expected to post another balance of payment deficit position for the year.

We still expect a persistent current account deficit this year. This is as imports are seen to be strong amid demand for offshore agricultural commodities and capital goods. Meanwhile, exports are expected to be challenged by the US' protectionist policies and headwinds to global economic growth but will be supported by the recent free trade agreements the Philippines has entered into. Foreign investments are still expected to flow into the Philippines but possibly at a slower pace as confidence gets weighed by the lingering flood control corruption issues in the country.

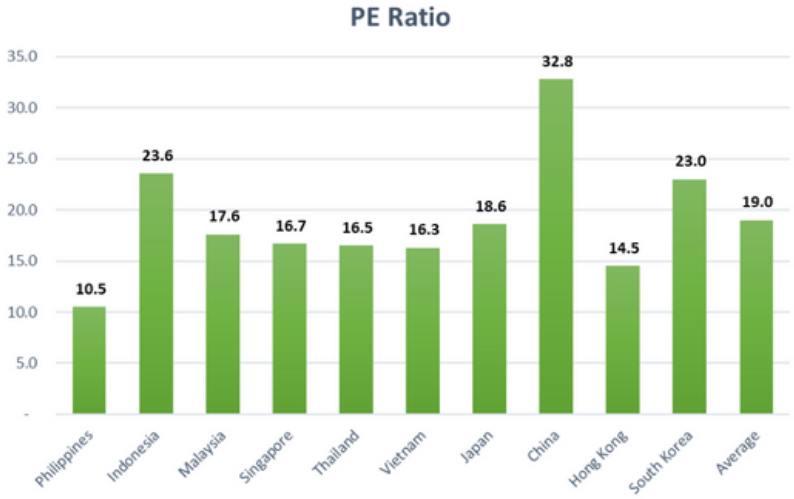
Overnight Reverse Repurchase Rate

With the dismal growth our local economy has shown in 2025 and the tempered inflation seen for 2026, we project the Bangko Sentral ng Pilipinas to deliver one more policy rate cut this year bringing the overnight reverse repurchase rate to 4.25%. The rate cut is expected to give additional support to the local economy, particularly in reaccelerating its growth in the medium to long run.

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Philippine Stock Exchange Index

For 2026, Philstocks projects the local market to hit the 7,100 level supported by robust corporate fundamentals with the earnings of index members projected to increase by 15% on average. Revenues are expected to be backed by healthy demand amid our economic growth and controlled inflation coupled with our firms' capacity expansion. Operating efficiency among firms are also expected amid the economies of scale brought by expansion and further integration of technology in production methods.



As of January 30, 2026, the PSEi is trading with a price-to-earnings ratio of 10.5x. This is below its 2021 – 2025 average of 14.4x, and the regional average of 19.0x. This shows that the PSEi, from a marketability standpoint, remains at attractive levels. Hence, there is still a lot of room for bargain hunting.



PSEi Daily Chart

Chartwise, the PSEi has been trending upwards after bottoming at 5,584.35 in November 14, 2025. In its ascent, the market has gotten past crucial lines including its 10-day, 50-day, and 200-day exponential moving averages. As of the moment, it is testing its 10-day EMA. It is also facing an immediate resistance at the 6,400 level. From here to 7,100, we see other resistance levels at 6,600, 6,800 and 7,000. The market's 50-day and 200-day EMA are about to form a golden cross. If this proceeds, we may see a rally for the PSEi in the medium to long run.

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PSEi Weekly Chart

As for its weekly chart, the PSEi is already trading above its 10-week and 50-week EMAs. It is facing a resistance however at its 200-week EMA. The market's MACD line and 14-week relative strength index are trending upwards reflecting positive momentum.

SECTOR TRENDS THIS 2026

Low interest rates position residential property developers for further growth.

According to the Bangko Sentral ng Pilipinas' Residential Property Price Index Report, in Q2 and Q3 last year, nationwide availments of residential real estate loans grew y/y by 14.7% and 24.6% respectively after four consecutive quarters of decline. This is seen to reflect rising residential property demand primarily due to the low borrowing costs. With interest rates now lower following the BSP's further policy easing, we may see stronger residential property demand this year, in turn benefiting our property developers.

Low interest rates to boost loan demand.

As of end-November 2025, the loans extended by universal and commercial banks, net of reverse repurchases rose by 10.3% y/y. This shows that there is still robust demand for loans from both businesses and households amid the low interest rate environment. With borrowing costs still low, the strong loan demand is expected to be sustained this year, in turn supporting the financial performance of the banking sector.

Consumer companies to remain sound.

Household consumption growth may reaccelerate this year hinged on the expected recovery of the number of employed, low borrowing costs, and OFW cash remittances. This is expected to aid the performance of our consumer manufacturing and consumer retail firms.

Nickel miners may outperform on a possible rise in nickel prices.

We may see the price of nickel ore rise this year. This is first due to the growing nickel requirements of the global manufacturing sector including the production of stainless steel and electric vehicle batteries which is seen to sustain robust demand. On the other hand, Indonesia's plan to cut its nickel production is expected to weigh on global supply which in turn would boost prices. These are expected to help our nickel miners.

RECOMMENDATIONS THIS 2026

Dividend Plays with Long Term Price Potential

Stock	Symbol	Last Price	Target Price	TTM Div. Yield
CEBULANDMASTERS We Build with You in Mind	CLI	2.50	3.04	7.20%
DMCI HOLDINGS INCORPORATED	DMC	10.80	12.72	10.00%
Metrobank You're in good hands	MBT	73.00	101.04	6.85%
SEMIRARA MINING & POWER CORPORATION	SCC	31.80	37.12	10.22%
PLDT	TEL	1,340.00	1,585.00	7.09%

As of January 30, 2026

Fundamentally Sound Stocks at Attractive Levels

Stock	Symbol	Last Price	Target Price	Current PE	5-Year PE Ave.
AyalaLand	ALI	21.25	33.25	10.8x	29.0x
BDO	BDO	135.00	182.00	8.6x	14.5x
BPI	BPI	124.00	145.60	10.2x	13.7x
CONVERGE ICT SOLUTIONS INC.	CNVRG	15.50	20.86	9.8x	20.6x
GT CAPITAL HOLDINGS INCORPORATED	GTCAP	670.00	780.68	4.4x	8.2x
MEGAWORLD	MEG	2.20	2.44	3.4x	5.8x
Universal Robina	URC	71.00	85.96	12.6x	21.2x

As of January 30, 2026