Focused Insights MARKET OUTLOOK
Stay Focused. Stay Informed. Stay Ahead. Q4 | 2026
Chinabank

Overweight bonds at cycle-high yields; underweight equities on weak momentum

PREPARED BY | Trust and Asset Management Group | Investments and Trading Division

We hold a stronger tilt to fixed income this quarter. Tighter policy at home and abroad, together with deteriorating market technicals, outweighs still-cheap equity valuations. Yields have reset to multi-year highs after a larger-than-expected BSP hike, while equities lack a near-term earnings or flow catalyst.

FIXED INCOME
OVERWEIGHT
Favor intermediate maturities for income; stay light on the long end until inflation and supply pressures ease.

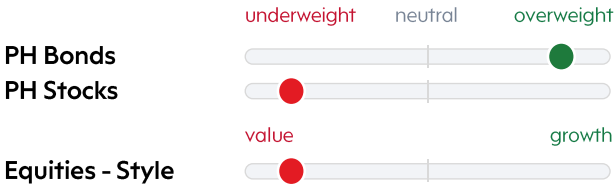
EQUITIES
UNDERWEIGHT
Valuations sit near five-year lows, but flat earnings and foreign selling argue for patience. Hold core index exposure with a defensive dividend tilt.

KEY RISK
WATCH
Higher oil and a weaker peso could keep inflation above target into 2027, forcing further BSP tightening and delaying the recovery.

TACTICAL POSITIONING

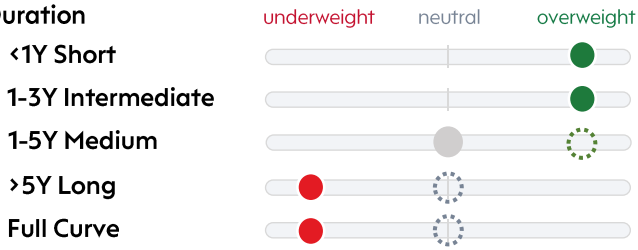
Our views this quarter

Solid dot = Q4 position. Dashed ring = Q3 position, where it changed.



Value: cheaper, established, dividend-paying names usually bought for income and resilience; counter-cyclical and tend to hold up better with unfavorable macro fundamentals.

Growth: faster-growing companies priced for future earnings with few dividend payouts; do best when markets are optimistic and economy is strong.



Duration calls show our preferred bond maturities versus each fund's benchmark. We favor maturities up to three years for their carry cushion while inflation and policy risks peak. We expect to begin adding duration in 1Q27 as yields stabilize ahead of BSP easing.

WHAT THIS MEANS FOR INVESTORS

INCOME-FOCUSED
Earn elevated income returns through short-to-intermediate term bond UITFs; extend only at the tail end of tightening.

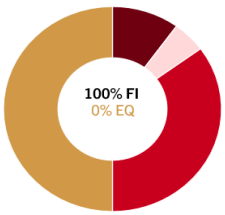
BALANCED
Hold a fixed-income core; keep equity exposure light and tilted toward dividend payers and quality names.

LONG-HORIZON
Build equity positions gradually at depressed valuations and add duration as inflation and policy outlook improves.

MODEL UITF PORTFOLIOS

These illustrative model allocations translate the Q4 view into sample UITF mixes. They are not standalone products or personalized advice; suitability assessment is required before investing. Best and worst returns cover every 12-month holding period since June 2021, net of fees. Historical volatility shows how widely daily returns swung over the same period.

Fixed Income-Focused
100% Fixed Income

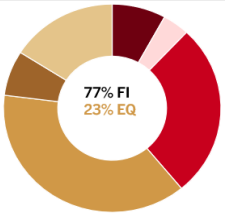


Money Market Fund	10%
Short Term Fund	5%
Intermediate FI Fund	35%
Fixed Income Fund	50%

Best 12 months	+9.8%
Worst 12 months	-4.4%
Historical Volatility	2.5%

Short-to-intermediate bonds for income, with money-market liquidity.

Balanced
77% Fixed Income / 23% Equities

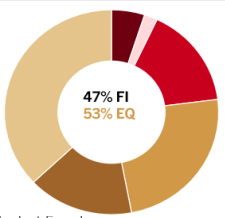


Money Market Fund	8%
Short Term Fund	4%
Intermediate FI Fund	27%
Fixed Income Fund	38%
High Dividend Equity Fund	7%
Phil. Equity Index Tracker Fund	16%

Best 12 months	+13.4%
Worst 12 months	-6.3%
Historical Volatility	4.5%

A bond core with a PSEI tracker and dividend tilt.

Equity-Focused
47% Fixed Income / 53% Equities



Money Market Fund	5%
Short Term Fund	2%
Intermediate FI Fund	16%
Fixed Income Fund	24%
High Dividend Equity Fund	16%
Phil. Equity Index Tracker Fund	37%

Best 12 months	+18.7%
Worst 12 months	-10.0%
Historical Volatility	9.1%

Index-led equity for long horizons, cushioned by a defensive bond sleeve.

MACROECONOMIC SNAPSHOT

PH GDP GROWTH	
2025A	4.4
2026E	2.5–3.0
2027E	4.5–5.0

PH INFLATION	
2025A	1.7
2026E	6.0–6.5
2027E	4.5–5.0

BSP POLICY RATE	
2025A	4.50
2026E	5.75
2027E	5.50

FED POLICY RATE	
2025A	3.50–3.75
2026E	4.00–4.25
2027E	4.00–4.25

USD / PHP	
2025A	58.79
2026E	63.50–64.00
2027E	64.50–65.00

GLOBAL GDP GROWTH	
2025A	3.5
2026E	3.1
2027E	3.4

Global: Oil resumed its climb in October, reaching its highest level since April, as supply disruptions persisted. The IMF holds 2026 global growth at 3.1%, but gains are concentrated in AI-supply-chain economies and energy exporters. The Fed held in October, but markets still price a December hike. US Treasury yields have risen on debt sustainability and AI-financing concerns, adding pressure on emerging-market currencies.

Philippines: Growth remains low, with weak household spending, contracting investment and El Niño risks clouding the recovery. Inflation is set to peak in 4Q26 as food, power and transport costs rise and core pressures broaden. The BSP raised rates by 50bp in October and is expected to hike once more in December, before an extended hold through most of 2027. The peso hit a record low after breaching the 64-mark and may weaken further in 2027 if oil keeps the import bill elevated.

FIXED INCOME OUTLOOK

Philippine yields rose 40–70bps beyond the 1-year tenor in 3Q26, and the selloff extended well into October as inflation surprised higher, the peso hit record lows and auction demand softened. With the BSP hiking 50bp in October and a further hike expected in December, we see yields staying elevated through early 2027 before easing in the second half as inflation recedes. **We favor tenors up to three years and keep long-end exposure light until disinflation is underway.**

TAILWINDS

- Highest income opportunity since 2018
- JPMorgan GBI-EM inclusion supports market liquidity
- Near-peak policy rate anchors the front-end of the curve

HEADWINDS

- Inflation yet to peak in 4Q26, with core pressures broadening
- Further BSP tightening possible in December
- Soft duration appetite at government bond auctions
- Record-low peso and rising global bond yields

TAMG BVAL Yield Targets (%)

Tenor	3Q26A	4Q26E	3Q27E
1yr	**6.09**	6.65	6.17
3yr	**7.03**	7.60	7.28
5yr	**7.41**	7.87	7.43
7yr	**7.55**	8.03	7.57
10yr	**7.62**	8.14	7.58
20yr	**7.50**	8.14	7.68

EQUITIES OUTLOOK

The PSEi fell 5.9% in 3Q26 to close at 5,679 as foreign selling intensified and bond yields climbed above 7%. At about 9x earnings, valuations already price in much of the weakness, but flat 2026 earnings and higher risk-free yields leave little room for a re-rating. **We see the index near 6,000 by year-end and 6,250 in 2027, as earnings recovery is partly offset by a slightly lower multiple while average yields stay elevated.**

TAILWINDS

- Forward valuations well below recent averages
- Light foreign positioning limits further downside
- Earnings growth returns in 2027 aided by low base effect

HEADWINDS

- Risk-free yields near 8% compress valuations
- Flat 2026 earnings and persistent foreign outflows
- Record-low peso weighs on issuers and foreign returns

TAMG PSEi Price Targets

Period	EPS Growth	P/E	Index
2025A	**10.8%**	**9.5x**	**6,052**
2026E	0.3%	9.3x	6,000
2027E	6.7%	9.1x	6,250

UITF HISTORICAL PERFORMANCE

		RETURNS				RISK
	Fund Name	YTD	1-year	3-year	5-year	Fund Volatility
FIXED INCOME	Chinabank Cash Fund	2.80%	3.81%	13.57%	19.69%	0.18%
	Chinabank Money Market Fund	2.79%	3.88%	14.53%	21.21%	0.19%
	Chinabank Short Term Fund	2.35%	3.47%	13.90%	18.94%	0.45%
	Chinabank Intermediate Fixed Income Fund	0.55%	1.84%	13.26%	14.51%	1.94%
	Chinabank Fixed Income Fund	-3.10%	-2.41%	10.81%	7.91%	4.85%
EQUITY	Chinabank High Dividend Equity Fund	-3.58%	1.18%	16.94%	16.95%	14.78%
	Chinabank Equity Fund	-8.89%	-7.13%	-1.60%	-2.15%	16.78%
	Chinabank Phil. Equity Index Tracker Fund	-4.19%	-2.40%	-5.21%	-12.25%	16.51%

Returns data are as of September 30, 2026 and are net of fees and taxes. 2026 YTD and 1-year returns are absolute returns over the period. 3-year and 5-year returns are cumulative total returns. Model portfolio figures are based on rolling 12-month returns from 30 June 2021 to 30 September 2026, net of fees, at current model weights. Annualized volatility is the standard deviation of historical daily NAVPU returns over the reference period. Past performance is not indicative of future results.

Source: CBC-TAMG Estimates, Bloomberg, BVAL and PSE data, CBC Economics (Focused Insights Monthly, 30 Oct 2026), FOMC SEP (16 Sep 2026), IMF WEO (Oct 2026). Forecasts are subject to change without notice.

UITF DISCLOSURE SUMMARY AND TERMS FOR PROVISION OF REPORT

The following summarizes key features and risks of investing in Unit Investment Trust Funds (UITFs) administered by China Banking Corporation – Trust and Asset Management Group ("CBC-TAMG"). It is a summary only and does not replace the Key Information and Investment Disclosure Statement (KIIDS), Plan Rules, or Declaration of Trust of each fund, which every investor should read before investing.

Topic	What investors should know
Product nature	A UITF is a trust product, not a deposit. It is not insured by the Philippine Deposit Insurance Corporation (PDIC) and is not guaranteed by China Banking Corporation, CBC-TAMG, or any of their affiliates.
No guaranteed return	Yields and returns are not guaranteed. A UITF is neither an obligation of nor a liability of China Banking Corporation or of CBC-TAMG acting as Trustee.
Value (NAVPU)	A fund's value is measured by its Net Asset Value per Unit (NAVPU), which rises and falls with market conditions. Units redeemed may be worth more or less than the investor's original participation.
Risks involved	Depending on the fund's investments, participants may be exposed to interest-rate, market or price, credit or default, liquidity, and reinvestment risk, among others.
Gains and losses	Any income earned or loss incurred by the fund is for the account of the investor.
Past performance	Historical returns and NAVPU movements are shown for reference only and are neither a guarantee nor an indication of future results.
Suitability	Participation is subject to a Client Suitability Assessment (risk profiling). Investors should confirm that the fund is consistent with their risk profile, objectives, investment horizon, and liquidity needs before investing.
Documents to read	Before investing, read the fund's Key Information and Investment Disclosure Statement (KIIDS), Plan Rules, or Declaration of Trust, including applicable fees and charges, valuation and cut-off times, redemption settlement, and any minimum holding period or early-redemption charges.
Administration & regulation	UITFs are administered by CBC-TAMG, a unit of China Banking Corporation, which is regulated by the Bangko Sentral ng Pilipinas (BSP).

This report, together with any electronic access to it, is intended solely for clients of CBC-TAMG who are qualified and permitted to receive it (each, an "Authorized Person"), and its use is subject to the terms, disclosures, and disclaimers set out below.

If you are not an Authorized Person, or if you do not agree to be bound by these terms, please disregard this report in its entirety and inform CBC-TAMG that you no longer wish to receive it.

Nature of the report. This report is provided as a general reference resource only. It does not constitute financial, investment, tax, legal, accounting, or trading advice, and it should not be treated as a solicitation, recommendation, or offer to buy, sell, or subscribe to any security, fund, or other financial product. Any views or commentaries are not endorsements or offerings of any investment vehicle.

No individualized suitability; independent judgment. This report has been prepared without regard to the particular financial circumstances, needs, or objectives of any person who may receive it, and the investments or strategies discussed may not be suitable for all investors. Recipients should not rely on this report as the sole basis for any decision, should exercise their own skill and judgment, and, where appropriate, should seek independent professional advice before acting. Any use of this report is at the recipient's own risk, and CBC-TAMG, China Banking Corporation, and their affiliates accept no liability arising from such use.

Dissemination. This report is made available to Authorized Persons in their respective jurisdictions by CBC-TAMG and, where relevant, by the entities within the China Banking Corporation group authorized to carry on business as a trust entity, securities dealer, or financial adviser.

Potential interests. CBC-TAMG, China Banking Corporation, their affiliates, and their respective directors, officers, and employees may hold positions in, or transact in, the securities or funds mentioned in this report, and may do so in ways that differ from any views expressed here.

Business relationships. The China Banking Corporation group engages in a broad range of banking, trust, treasury, asset and fund management, and related activities that may involve issuers or instruments referred to in this report.

Basis of information; no warranty. Except for any interests disclosed above, this report is based on information believed to be reliable and, where indicated, on publicly available sources. While reasonable care has been taken in its preparation, CBC-TAMG makes no representation or warranty, express or implied, as to the accuracy, completeness, or timeliness of the information and assumes no obligation to update it. Third-party data providers likewise make no warranty and accept no liability for the data they provide.

Proprietary rights to content. This report and its contents — including text, data, graphics, charts, images, logos, and typefaces (the "Content") — are the property of CBC-TAMG or its licensors and are protected by Philippine and international copyright and other intellectual property laws. Except as expressly permitted or as allowed under applicable fair-use principles, the Content may not be copied, modified, reproduced, republished, transmitted, or otherwise exploited, in whole or in part, without CBC-TAMG's prior written consent. Where no specific restriction is stated, a recipient may retain a single copy for personal, non-commercial reference, provided all proprietary notices are preserved and the Content is not altered.

Confidentiality; no redistribution. This report is confidential to the intended recipient. It may not be distributed to the press or other media, reproduced, or transmitted in any form without CBC-TAMG's prior written consent. Recipients accessing this report from outside the Philippines should note that additional disclaimers or restrictions may apply.

Analyst certification. The views expressed in this report accurately reflect the personal views of the author(s) regarding the subject securities, funds, or issuers. No part of the author's compensation was, is, or will be directly or indirectly related to the specific views or recommendations expressed in this report.

Copyright and contact. Except as expressly permitted, no part of this report may be reproduced or distributed without CBC-TAMG's prior written consent. For inquiries, contact the Chinabank Customer Contact Center (24/7) at (632) 888-55-888 or email customercare@chinabank.ph

Regulation. CBC-TAMG is regulated by the Bangko Sentral ng Pilipinas (BSP). Concerns may be raised with the BSP at consumeraffairs@bsp.gov.ph, or through the BSP Online Buddy (BOB) via BSP Webchat (https://www.bsp.gov.ph/), SMS at 021582277 (for Globe subscribers only), or Facebook (www.facebook.com/BangkoSentralngPilipinas).