

EQUITY

Markets were overshadowed by what US President Donald Trump called "Liberation Day". On April 2, Trump announced his two-tiered reciprocal tariffs on countries which the US has trade deficits with. While the tariffs were not unexpected, the magnitudes contained in Executive Order 14257 were far larger than the most bearish forecasts. This caused global equities to fall by double digit percentages in a matter of days, with the hardest hit countries falling more than 10% in a single trading session.

Still, despite the initial weakness, the Philippine stock market proved to be one of the outperformers. After losing 7% initially, the benchmark index bounced back to end the month at 6355 - a 2.8% gain. This cuts the PSEi's YTD loss as of end-April to 2.7% - among the best performing in Asia.

This was underpinned by inflation that continues to fall, with the most recent reading clocking in at 1.8%. This gave the BSP room to loosen interest rates. Thus, it announced a 25 bps rate cut as it resumed its easing stance. Helping the inflation fight is peso appreciation which was largely due to dollar weakness. After threatening to break the 59 level months ago, the Philippine peso ended the month at 55.86/\$. The remarkable strength of the currency is instrumental in keeping inflation low while also boosting sentiment in Philippine risk assets.

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FIXED INCOME

The start of April bore witness to Trump's "Liberation Day" where the US announced sweeping tariffs on all countries, far exceeding what market was expecting. All asset classes crashed, and the UST and USD also were hammered. The US and China go into a full-blown trade war, with tariffs on China eventually reaching 145%. However with the 10y UST yield rising above 4.5%, Trump blinks and announces a 90d reprieve on most countries, where markets heaved a sigh of relief.

In the Philippines, March CPI comes in at 1.8 vs 2.2 expected and vs 2.1% in February, continuing the move downwards in prices. BSP cuts the key rate 25bp to 5.5% as expected and inflation forecasts are lowered with an average of 3% for the next 2 years and 2.3% for the rest of 2025. BSP expresses that more cuts are coming but that they may not cut at every meeting. BTR also announces a 10y jumbo bond at 6.375, which is received very well by the market. From a low of 5.7 on the 5y r518 and 6.05 for the 10y 1072, yields go higher by 20 to 30bp and eventually settle at 5.85 for the r518 and 6.25 for the 1072.

In the US, equity markets are sold off, down 10% in 2 days but then jumps back when Trump announces that reciprocal tariffs will be paused for 90d except on China. S&P jumps 9% and NASDAQ jumps 12%, the third largest single day gain since WW2. But then Trump creates more market disturbance when he attacks Jerome Powell, calling him a loser and trying to force the Fed to cut rates. Fed independence is now at risk, which has 10y UST jump back to 4.4 and gold now at 3400.

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