

## EQUITY

The PSEI slid to 6155.57, down by 1.6% MoM, its lowest since May as foreign institutions took advantage of liquidity events. Net foreign selling for the month widened to PhP 4.21B driven by outflows concentrated in large-cap banking, utilities, and telco sectors. Corporate earnings season was also unremarkable, with 2Q25 recurring earnings growth at only 3%. As of end-August, the PSEI's YTD return is -5.72%.

The July inflation rate eased further to 0.9% on the back of lower oil, rice, and vegetable prices. Even so, 2Q25 GDP was flat at 5.5% and was at the low end of the government's full-year target range of 5.5%-6.5%.

This caused the BSP to cut interest rates by another 25 bps later in the month, bringing the policy rate to 5%. Signaling a potential end to the easing cycle, BSP Governor Eli Remolona Jr. stated that the current rate is now at the Goldilocks rate as it is "neither too high nor too low." Meanwhile, Fed Chairman Jerome Powell signaled a rate cut in September during his speech at Jackson Hole. This should help cushion the further narrowing of the interest rate differential which is now at 50 bps.

Despite continuous rate cuts, the Philippine peso ended the month at PhP 57.09, stronger by 0.39% MoM against the US dollar.

Midmonth, index rebalancing saw PLUS replacing BLOOM. The MSCI rebalancing spurred foreign outflows.

On the legislative front, online gambling took centerstage as public clamor led to tighter regulation of the sector. Despite not being signed by the President, the Konektadong Pinoy Bill eventually lapsed into law, as it was not vetoed either.

On tariffs, reciprocal tariffs and a 40% transshipment penalty were implemented effective August, applying to all countries, while the de minimis on Chinese-origin goods was suspended.

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# FIXED INCOME

August was all about Trump again. First Trump fired the commissioner on Labor Statistics. Then he ordered Lisa Cook, a voting member of the Fed, fired on dubious grounds, sending long bond yields higher as Fed independence comes into doubt. Then as we end the month, a US appeals court deems Trump's tariffs to be illegal. If not overturned, the US would have to refund billions of dollars already collected in tariffs. Meanwhile we also got Jackson Hole, where finally Jerome Powell drops hints that the timing may now be right for a rate cut.

In the Philippines, July CPI comes in at 0.9 vs 1.1% expected and previous month 1.4, as food and especially rice prices continue to fall. Local bond yields fall as the new 5y RTB 5-19 starts its offering period, with no one getting any allocation and having to scramble in the secondary market to fill orders. With a coupon of 6%, the new RTB starts trading immediately at 5.85. Previous 5y benchmark R518 goes from 5.85 to as low as 5.6, while 10y 1072 taken from 6.08 down to below 6 at 5.9. Also, this month the BSP cuts by another 25bp, bringing the key rate to 5%. However, this time Remolona has a hawkish view, which surprises the market. New r519 bounces off its low at 5.68 to end at 5.8 while 1072 eases back to close to 6.

In the US, 10y UST steady at around the 4.2 handle despite all the confusing news in the US. Mainly the market is awaiting September where the Fed is expected to make its first rate cut.

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