

EQUITY

It looks like investors have to get used to a world with heightened geopolitical risk. On June 13, Israel struck multiple nuclear and military sites in Iran under the guise of preventing Iran from creating a nuclear weapon. This sent oil prices higher by 12%, with some analysts forecasting crude oil to reach \$100/barrel if the conflict escalates further. This culminated with the US striking major nuclear sites in Iran on June 22. Fortunately, a ceasefire was declared promptly, preventing further escalation. Consequently, crude oil prices gave up all of its gains within 2 days. After all the volatility in June, the PSEi still managed to eke a gain of 0.37%, ending June at 6365.

Despite the oil price spike, the BSP continued with its rate cut, reducing benchmark interest rates to 5.25%. Benign inflation combined with tepid economic growth set the stage for policy easing as BSP Governor Eli Remolona Jr. signaled 1 more rate cut this year. The Philippine peso depreciated by 1% to end the month at 56.34 / \$.

Overseas, US equity indices reached new all-time highs after the end of the Israel-Iran conflict as technology heavyweights continued their ascent despite tariff noise.

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**JUNE
2025**

FIXED INCOME

The whole world is held hostage as the Iran Israel conflict escalates further, with Trump now threatening US intervention, as oil prices are creating inflationary pressures globally with prices rising above \$70/bbl. Gold rises as a safe haven and the USD continues its strength over the month. Finally, the US bombs Iran's nuclear facilities, "obliterating" its nuclear capabilities. Iran retaliates by bombing a deserted US base, in a face-saving move, which then leads the way to a US led ceasefire. Markets then rally to end the month.

In the Philippines, April CPI comes in at 1.3 as expected and vs 1.4% in April, as food prices are subdued but BSP is wary of any oil price shocks to inflation due to the Israel Iran tensions, especially if the strait of Hormuz is affected. However, with the ceasefire, and with oil price coming back down to 65 levels, this risk should be remote. BSP cuts rates even before the ceasefire, citing the need for monetary support and says that 2 more cuts may be in the cards for the rest of the year. USDPHP hits 57.45 at the high but has since recovered back to the 56 levels. Meanwhile the new 3Q BTR auction schedule comes out, but most players are on the sidelines, awaiting the announcement of a new RTB.

In the US, the Fed decides to keep rates on hold but says that 2 cuts for the rest of the year are still possible. They cite that they see some inflationary effects from the tariffs and sticky core inflation. However, a number of fed members have indicated a willingness to cut rates as early as July. This could also be some politicking as Powell's term will come to an end soon.

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