

EQUITY

The PSEI lost momentum, closing at 6,252.73, down by 112.21 pts or 1.8% MoM, revisiting its crucial support level. Foreign funds remained net sellers in the amount of PHP 1.67B even as developed markets reached new all-time highs. The bulk of the foreign selling was from secondary equity placements by a foreign holder of SM and SMPH, which sapped the market of its liquidity.

Inflation rate stayed benign in June at 1.4%, giving the BSP room to ease rates later in the year. Commodity prices continued to trend lower as geopolitical conflicts died down. However, with the interest rate differential narrowing to 75 bps, the Philippine peso weakened significantly against the US dollar. With its 3.4% depreciation in July, our currency was the 2nd worst performer in Asia, behind only the Japanese yen.

On the political front, President Marcos' SONA waxed populist as it revolved around the concerns of the masses such as better flood control projects, wider WIFI access in public schools, and lower rice prices. Recent issues like online gambling and the Konektadong Pinoy Act were not mentioned at all. The much-awaited Supreme Court decision on Vice President Sara Duterte's impeachment was also released as the high court deemed it unconstitutional.

Looking abroad, The One Big Beautiful Bill was signed into law by President Donald Trump. Fortunately, outbound remittance tax settled at 1% instead of the initial 3.5% which stoked concerns from OFWs, their families and economists.

On the tariff front, uncertainty continued to cloud global markets as President Donald Trump threatened new tariffs ahead of his new August 1 deadline for negotiations, which was eventually extended by 7 days. Modified reciprocal tariffs for dozens of countries ranging from 10% to 41% are set to take effect on August 7. After bilateral negotiations, the PH managed to lower its tariffs from 20% to 19%, which compares with larger reductions for its neighbors, such as Vietnam which was lowered from 46% to 20% and Indonesia from 32% to 19%.



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FIXED INCOME

Markets finally look past Middle East tensions to focus back on tariff tensions, with most countries going into overtime to find some deal with Trump before the August 1 deadline. Locally PBBM negotiates an agreement with Trump that sets tariffs for PH goods at 19%, in line with Indonesia and Thailand. We also get closer to the month of September, which is looking more likely as that month that the Fed will start cutting rates.

In the Philippines, June CPI comes in at 1.4 vs 1.5% expected, signaling that the BSP has more room to cut rates. Food prices are still subdued and rice prices continue to fall. Some concern on the FX side this month as USDPHP surges to 58.40 on the back of strong USD across the board. The 5y r518 climbs back to 5.88 while the 10y 1073 reaches 6.3. Market at this point is also still waiting on the new 5y RTB which most see pricing at 6%.

In the US, the Fed decides to keep rates on hold again and 2Q GDP comes in hot at 3% vs 2.4 expected. Powell voices concern on prices especially as inflation may get hit due to the tariffs. Trump also roils markets this month by implying that he wants to fire Jerome Powell, with allies in the White House announcing that they are already looking at ways this can be done legally. Eventually Trump backs off on firing Powell but 10y UST hits a high of 4.5 before settling back to the usual range of 4.3.

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