

SEPTEMBER 15, 2025



PHILEQUITY CORNER

By Wilson Sy

Battle lines are drawn

In the past few weeks, photos of China's President Xi Jinping, India's Prime Minister (PM) Narendra Modi, and Russia's President Vladimir Putin have circulated. In a show of unity, the three leaders were seen smiling and laughing together at the Shanghai Cooperation Organization. This emerging alliance is a clear affront to the US which has sought to assert its dominance over the three countries. China and India have been the targets of steep US tariffs while Russia has received punitive economic sanctions for its war against Ukraine.

Trump vs. Xi, Modi, and Putin

Trump's antagonistic stance has forced Xi, Modi, and Putin to align themselves together. In this confrontation, Trump faces a unique set of leaders which may have distinct advantages over him. Trump's executive powers have limits as he governs a democratic country with strong institutions. In contrast, Xi and Putin are powerful authoritarians with little to no opposition in their respective countries. There are also rumors that Trump, Xi, and Putin are sick. But based on age, Trump is already 79 years old; Modi is 74 while Xi and Putin are both 72. Trump's term will last up to 2028, Modi's term will end in 2029, and Putin's term is up to 2030. On the other hand, Xi is practically President for life.

Uniting adversaries while dividing allies

Trump's unpredictable behavior, chaotic policies, and adversarial stance have forced major countries to band together and unite against him. Former Treasury Secretary Larry Summers said, "The classic maxim of foreign policy is to unite your friends and divide your adversaries. We have managed to unite our adversaries and divide our friends."

From free trade to mercantilism

Canadian PM Mark Carney said, "We're moving from an age that lasted decades, an age when free trade was a motor of global economic growth to a new age – an age of economic nationalism and mercantilism." In response to the trade war, consumers in Canada, Australia, and Europe are boycotting American products while seeking local alternatives.

BRICS holds virtual summit

The BRICS group includes China, India, Russia, and eight other countries. They jointly account for roughly 40% of global GDP and 50% of the world's population. Last week, Brazil's President Luiz Inacio Lula da Silva convened a virtual summit involving the leaders of the BRICS bloc to address the "intensification of unilateral measures." He condemned "tariff blackmail" and unjustified trade practices. Xi warned against "hegemonism, unilateralism, and protectionism" while highlighting the dangers posed by trade wars to global trade. Putin and Modi denounced the "bullying behavior" of the US. In response to these, Xi called for multilateralism, openness, solidarity, and cooperation among BRICS members to foster common development while protecting the global economic and trade order. There are also ongoing efforts by BRICS nations to reduce their dependence on the US. These include promoting trade in their local currencies, seeking alternatives to the US dollar, and further diversifying their reserve assets by buying gold (see Open Defiance, September 8, 2025).

Brewing tension in the Middle East

Last week, Israel launched a series of strikes in Qatar which targeted Hamas leaders. The attack was unprecedented as Qatar is a known US ally which has historically been a neutral territory for diplomatic negotiations. Further unilateral actions and provocations by Israel against Qatar or other countries may stoke tensions in the Middle East and prod Arab nations to unite against Israel and the US.

Major markets ignore battle of will

Despite the ongoing trade war, major global markets led by the US have continued to make new highs. This was primarily driven by exceptional US tech stocks which are the main beneficiaries of the game-changing AI revolution. Aside from this, diplomatic correspondence between the US and China could lead to a resumption of trade talks. Moreover, there are ongoing negotiations between the US and India that could result in easing trade tensions. Investors are also looking forward to a potential Fed rate cut this month which should perk up the US economy and the slowing US labor market.

Political turmoil in Asia

As battle lines are drawn among global superpowers, some Asian countries are facing a different battle. Indonesia's President fired the country's Finance Minister and four other ministers amid widespread protests against government corruption and frustrating economic conditions. A government building was set on fire and the house of the former Finance Minister was looted by protesters. Nepal's PM resigned in light of violent protests which have resulted in 51 deaths. The parliament, other government buildings, luxury hotels, and residences of prominent politicians were set on fire by protesters. Thailand recently replaced its PM and will likely hold elections in the coming months. Meanwhile, Filipinos are closely watching the live streaming of Congressional investigations on the massive corruption in flood control projects involving trillions of pesos. Images of the extravagant lifestyle and the flaunting of wealth by some government contractors are circulating even as prevalent floods continue during the rainy season. The widening disparity between the rich and the poor are inciting shock, frustration, and anger among Filipino citizens. These have triggered investor jitters on fears that the situation in the Philippines might follow what is happening in neighboring countries. In contrast to the US market which is making all-time highs, the PSEi is down 6.4% year-to-date.