

EQUITY

Investors took a cautious stance towards the Philippine market in September due to concerns over the investigations into the flood control ghost projects. This caused the index to spiral down below the 6000 handle which was last seen in April. The PSEi ended at 5,953.46, down 3.3% MoM and at -8.81% YTD. The Philippine peso also depreciated by 1.68% MoM as it broke the 58 level, closing at PhP58.04/USD, making it the weakest performing ASEAN currency in September.

The flood control probe, one of the largest corruption scandals in Philippine history, clouded the economic outlook. More legislators were revealed to be involved, while key leaders were being replaced. This has culminated so far in the “Trillion Peso March” held on September 21 which was well attended by various partisan groups in different cities nationwide. Analysts and economists have voiced concerns over the impact of this probe on near term Philippine economic growth.

This resulted in the 6th consecutive month of net foreign selling with outflows amounting to PhP 4.24 billion, exclusive of RCR block sale. The RCR placement of P7.75 billion led to weakness in the broad index as it sapped liquidity in the market.

On the macro front, August inflation was at 1.5%, higher than in July at 0.9% and the consensus forecast at 1.2%, although still within BSP's range of 1-1.8%. This was driven by higher food prices, offset by continued decline in rice prices due to strong domestic production amid the 60-day import ban which will be extended for another 30 days.

Overseas, the Fed resumed its easing cycle as it cut its benchmark interest rate by 25 bps to 4.25%, its first cut since December 2024.

During the month, President Marcos Jr. finally signed the enhanced mining fiscal regime law after failed attempts by previous administrations. This seeks to establish a rationalized tax structure for large-scale metallic mining and to ultimately serve as a catalyst for growth. This comes at an opportune time for miners as gold prices are pushing to all-time highs.

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FIXED INCOME

Market was captivated by ongoing flood control scandal, which implicated DPWH officials, congressmen and senators. Billions of pesos were found to have been stolen while projects were uncompleted or not even done at all. Senate president Chiz Escudero is replaced by Tito Sotto in an apparent coup, while House Speaker Martin Romualdez steps down, replaced by Isabelo Bojje Dy. Meanwhile, Fed independence is called into question as Trump tries to fire Fed Governor Lisa Cook.

In the Philippines, August CPI comes in at 1.5 vs 1.2% expected and previous month 0.9, on the back of higher food prices due to heavy rains. There was a kneejerk selloff but with inflation overall very benign, yields retraced back to same levels. RTB 519 hovers around the 5.85 while 1073 traded below 6% to 5.95. USDPHP weakens in September as USD overall stronger from hawkish Fed comments, rising to 58.5.

In the US, 10y UST falls to 4.07 as jobs data especially weak, with total downward revisions for the year also very large. At its meeting, the Fed delivers a 25bp cut but market is disappointed by the following comments by the Fed that the cut was merely a risk management cut and that they will still be wary of cutting more and an October cut is not a sure thing. Jerome Powell also mentions that US equities seem fairly highly valued.

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