

EQUITY

The Philippine stock market saw a strong rally in January with the PSEi closing at 6,329, up 4.6% MoM. This was underpinned by strong foreign buying after a reversal from consecutive months of net foreign selling in 2025. The market also remained resilient despite a massive miss in 4Q25 GDP estimates, a depreciating peso and sharp declines in the US equities.

Foreign sellers finally turned into buyers with renewed interest in battered large-cap names resulting in net inflows of PhP 6.33 billion, excluding the RCR block sale. This helped lift the market even as the peso depreciated to an all-time high of 59.48/\$. Fortunately, the currency managed to end the month at 58.89/\$.

On the other hand, growth in 4Q25 GDP, a seasonally strong period, fell to 3% vs 3.9% in 3Q25, well below consensus forecasts of 3.9%. FY25 GDP growth was down to 4.4% vs 5.7% in 2024, below the full-year estimate of 4.5% to 5%. The drag came from a huge contraction in capital formation at -10.9% in 4Q25 vs -2.8% in 3Q25. Growth in government spending and consumption also slowed, offset by accelerated growth in total exports.

Meanwhile, geopolitical tensions and escalating trade disputes caused extreme volatility in US markets alongside dollar weakness. Software stocks suffered due to concerns over the growth outlook of cloud services and hyperscalers. Others, including global providers of information-based analytics and decision tools, legal services, consulting and financial services, IT services, call centers, and advertising companies, also declined sharply.

Finally, US President Donald Trump revealed Kevin Warsh as his choice to replace current Federal Reserve Chair Jerome Powell when his term ends in May. This caused the dollar to appreciate and metal prices to crash, after hitting all-time highs in recent months. Gold and silver declined by 14% and 36%, respectively. This was the largest one-day drop for gold in more than a decade and for silver in 46 years.

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FIXED INCOME

Geopolitics immediately come to the forefront to start 2026 as the US invades Venezuela and "takes over" its oil production. The US also threatened to annex Greenland until an agreement was reached to allow the US mineral rights and missile defense rights on Greenland. Criminal charges were also placed on Jerome Powell due to Fed renovations. And then Iran protests turn deadly, weighing on oil prices.

In the Philippines, Dec CPI comes in at 1.8 vs 1.4 expected and higher than Nov at 1.5, on higher food prices due to severe weather. USDPHP jumps past 59 as NEDA announces that it sees the pair to reach 60. Some buying emerges in the local bond market as dealers look to add to light positions at the start of the year, but as the PHP continues to depreciate closer to 60, we saw some profit taking which brought the 10y 1073 back above 6%. Eventually this settles at around 6% and slightly below. Another negative was that 4Q GDP only registered a measly 3% bringing total 2025 GDP to 4.4%, well below govt target of 6%.

In the US, Fed decides to keep rates steady. Dec NFP jobs also register only 50k, much slower than expected. After hitting a high of 4.3, 10y UST settles back to 4.2 levels.

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