

# MARKET BLUEPRINT



WEEKLY NEWSLETTER

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## WHAT'S HOT?

By EastWest Trust & Asset Management Group >>>>

### BONDS

Local bond yields continued to decline for the third straight week, averaging a 2.75-bp drop week-on-week, as the market priced in a policy rate cut at the upcoming BSP meeting on Thursday. All 20 analysts surveyed by BusinessWorld expect the Monetary Board to reduce the policy rate by 25 bps to 5%, amid easing inflation and slowing economic growth. The 10-year yield fell by 0.66 bp as some institutional investors extended duration to lock in higher yields ahead of the anticipated monetary easing. Similarly, U.S. Treasury yields declined by an average of 5 bps, with the 10-year down 7 bps week-on-week, after Powell signaled that rate cuts could come as early as next month to support the labor market. Future traders are pricing in two cuts by the end of 2025. In the local market, increased buying is expected ahead of the MB meeting, supported by dovish remarks from the Fed.

### STOCKS

The peso appreciated by 0.115 centavo to 56.95 from the previous week as the U.S. Dollar Index slipped 0.136 points to 97.716. The Philippine market ended the week in a state of uncertainty over U.S. Federal Reserve policy, with investors awaiting Fed Chair Jerome Powell's speech at Jackson Hole on Friday night.

In addition, concerns about emerging-market vulnerabilities may have boosted demand for the peso as a relative safe haven. The dollar slipped after President Trump moved to oust Federal Reserve Governor Lisa Cook over allegations of falsifying mortgage application documents. The attempt paves the way for Trump to install a new governor, intensifying worries about the Fed's independence.

### FOREIGN EXCHANGE

The PSEi extended its decline for the second consecutive week, dropping by 34.35 points week-on-week, while total value turnover fell by 50% to ₱26 billion amid the Ghost Month. A key catalyst that could drive the bellwether index is the BSP's policy rate cut on Thursday, alongside the Fed's monetary decision in September.

Telco stocks are expected to remain volatile until the implementing rules and regulations (IRR) of the recently enacted Konektadong Pinoy bill are released. Meanwhile, the VIX slipped to its lowest level since Christmas Eve, easing by 0.87 point to 14.22, as Powell's unexpectedly dovish remarks signaled a stronger likelihood of a September rate cut.



Source: Barbalis, Chris. (2023). The American Flag [Photograph]. Unsplash.  
<https://unsplash.com/photos/an-american-flag-flying-in-front-of-a-tall-building-fAVQ9uCRO5w>

## American businesses are running out of ways to avoid tariff pain

**A big squeeze on profits may be coming: Insights from The Economist**

Corporate America's strong profit run is faltering under Donald Trump's escalating tariffs. Companies from GM to Nike have seen profits fall, with U.S. firms shouldering about 60% of tariff costs. Many firms initially stockpiled imports, but inventories are costly and temporary. Others are reshaping supply chains—like GE Healthcare shifting production to Utah or GM expanding output in Indiana—but such moves take years and are hindered by policy uncertainty.

Some businesses exploit loopholes in the 4,439-page U.S. tariff code, reclassifying goods or seeking exemptions. Creative attempts include claiming products under the Nairobi Protocol for disabled people, though many fail. With new tariffs announced on July 31st, stricter rules to block circumvention, and added duties on third-country workarounds, U.S. companies are running out of ways to shield themselves.

Bottom line: Trump's trade policies are leaving corporate America with fewer options to absorb or dodge tariff costs, eroding profitability.

	22- Aug	1WK% or bps Chg	1Mo% Chg or bps Chg	1Yr% Chg or bps Chg
<b>Bonds</b>				
3M BVAL yield	5.44	-0.57	0.01	-0.59
10Y BVAL yield	6.00	-0.01	-0.28	-0.07
10Y & 3M BVAL difference	0.56	0.56	-0.29	0.51
3m US yield	4.27	-0.03	-0.14	-1.01
10Y US yield	4.26	-0.07	-0.09	0.40
10Y & 3M US difference	(0.01)	-0.04	0.05	1.41
<b>Stocks</b>				
PSIE	6,281.58	-0.54	-1.17	-9.77
PSEI Total Return Index	2,715.71	-0.58	-1.15	-6.97
S&P 500	6,466.91	0.27	2.49	16.09
VIX	14.22	-5.77	-13.82	-18.97
Dow Jones	45,631.74	1.53	2.54	12.08
NASDAQ	21,436.54	-0.58	2.89	22.01
Hang Seng Index	25,339.14	0.27	0.83	43.64
CSI 300 Index	4,378.00	4.18	6.29	32.14
MSCI AC Asia Pacific Index	212.62	-0.56	3.62	15.10
MSCI Asia ex-Japan	827.64	-0.56	1.18	17.59
MSCI EM	1266.85	-0.46	1.48	15.04
MSCI EAFE	2,762.85	0.80	4.25	14.42
MSCI World - DM	4,192.80	0.44	2.89	16.22
MSCI All-Country World	355.29	0.34	2.74	16.11
<b>Currencies</b>				
USD/PHP	56.26	-0.24	-0.18	1.08
USD/JPY	146.64	-0.17	0.21	0.44
USD/THB	32.65	0.67	1.05	-4.96
USD/IDR	16,347.00	1.14	0.21	4.78
USD/EUR	0.85	-0.13	0.32	-5.17
USD/GBP	0.74	0.20	0.04	-3.22
USD/CHF	0.80	-0.66	1.16	-5.95
USD/AUD	1.54	0.24	1.00	3.29
MSCI EM Currency Index	1,832.57	-0.38	-0.60	4.25
US Dollar Index	97.72	-0.14	0.33	-3.74
<b>Commodities</b>				
Crude Oil (WTI Cushing)	64.06	2.01	-3.25	-13.19
Crude Oil (Brent)	67.73	2.85	-1.25	-12.29
Gold	3,371.86	1.07	-1.74	35.70
Thai Rice	376.00	-0.53	-4.08	-35.62
Vietnam Rice	411.13	-0.09	2.65	-29.57
Bloomberg Commodity Index	101.63	1.25	-2.92	6.71



## LOCAL NEWS

### PH Economic Snapshot: BOP Swings to Deficit; Credit Rating Affirmed; Rice Import Diversification Looms; NAIA Fees Hiked; and Infra Outlays Pick Up



Source: Darron, Eva. (2017). Sunset seen from a plane [Photograph].  
Unsplash.<https://unsplash.com/photos/airplanes-window-view-of-sky-duringgolden-hour-oCdVtGFeDCO>

The balance of payments (BOP) posted a US\$167 million deficit in July 2025, reversing the US\$62 million surplus a year earlier, as the national government drew down its foreign currency deposits with the Bangko Sentral ng Pilipinas to service external debt. The year-to-date deficit was driven mainly by the persistent trade gap, partly offset by steady remittance inflows, foreign borrowings, and portfolio investments. Despite this, gross international reserves remained adequate, equivalent to 7.2 months of imports and 3.4 times the country's short-term external debt. The Bangko Sentral ng Pilipinas (BSP) welcomed Rating and Investment Information, Inc.'s (R&I) affirmation of the Philippines' "A-" investment-grade rating with a "stable" outlook, citing strong economic growth, low inflation, and a robust external position. R&I highlighted the country's 5.7% growth in 2024, six-year low inflation of 0.9% in July 2025, manageable external balances, resilient remittances, and a stable banking sector. The BSP noted that the favorable rating, echoed by other credit agencies, helps lower borrowing costs and supports funding for social and development programs. The Philippines is ready to turn to alternative rice suppliers if Vietnam opposes its planned 60-day import suspension. India is the top option, with Myanmar and Cambodia also under consideration.

Terminal fees at Ninoy Aquino International Airport will rise by 70%—to Php 950 from 550—for departing international passengers, and nearly double to Php 390 from 200 for domestic travelers. The increase comes a year after New NAIA Infra Corp. (NNIC) took over operations following privatization. The operator noted this is the first terminal fee hike in two decades. State infrastructure spending rose 6.5% to 148.8 billion in June from 139.7 billion a year earlier, as disbursements resumed after the election ban was lifted in May. The increase was driven by the DPWH's recovery following a two-month slowdown. For the first half, infrastructure spending stood at 5.3% of GDP, matching the full-year target, with larger releases expected in the second half.



## CORPORATE NEWS

### Corporate Snapshot: Puregold to Add Stores, D&L Eyes New Biodiesel Plant, and Meralco Boosts Nuclear Drive



<https://unsplash.com/photos/sky-line-photo-of-nuclear-plant-cooling-tower-blowing-smoke-und9r-whlt9-and-orange9-sky-at-daytim9-LWnOSU20>

Puregold Price Club, Inc. plans to open eight new branches by end-2025 as part of its nationwide expansion, following its recent store opening in Zamboanga del Norte. The company reported strong results, with second-quarter net income up 8% to Php 2.66 billion and first-half consolidated net income rising 7.1% to Php 5.3 billion, supported by higher revenues and same-store sales growth. As of June, Puregold operated 764 stores nationwide, including Puregold supermarkets, S&R warehouses, and S&R quick-service restaurants. D&L Industries, Inc. is pushing ahead with plans for a second biodiesel plant despite the government's suspension of the planned biodiesel blend increase, citing longterm demand and benefits. The project remains in the planning stage, with details on size, cost, and timing yet to be finalized, but management emphasized a high likelihood of proceeding. Currently, its subsidiary Chemrez Technologies operates a 90-million-liter biodiesel plant, and D&L maintains a positive outlook on the sector's economic, environmental, and consumer benefits. Meralco is intensifying its nuclear energy initiatives by partnering with South Korean firms to explore small modular reactors (SMRs) through feasibility studies, site assessments, and strategic planning. Alongside infrastructure development, the company is investing in workforce training through its Meralco Power Academy, which signed an agreement with KEPCO International Nuclear Graduate School to send Filipino scholars abroad starting 2026. These partnerships, supported by a \$2.7 million USDTA grant, aim to build local expertise and ensure the safe, sustainable adoption of nuclear energy for the Philippines' long-term energy security.



## GLOBAL NEWS

### Global Economic Concerns: US Consumer Sentiment Drops, Japan's Production Slips, and ECB Holds Steady Amid Tariff Uncertainty



The US economy showed resilience in August as the S&P Global composite PMI rose to its highest level since early 2022, driven by strong demand, improved hiring, and firms' ability to raise prices despite tariff headwinds. However, the uptick in output prices — the second largest since January 2023 — signals potential inflationary pressures, posing challenges for Federal Reserve policymakers. Meanwhile, initial jobless claims rose to 235k due mainly to seasonal factors, but a sharp increase in continuing claims suggests weak hiring is prolonging unemployment spells.



Chinese commercial banks kept the one-year loan prime rate at 3.0% and the five-year at 3.5% in August, marking the third straight month of unchanged rates. However, weak July data — including slower retail sales growth and the first net drop in new yuan loans in two decades — increases pressure on the People's Bank of China to act. Analysts expect the central bank may soon ease policy, with a rate cut more likely than a reserve requirement ratio reduction, which could prompt banks to lower the LPRs.



Germany's economy contracted by 0.3% in the second quarter of 2025, a sharper decline than initially estimated, as weak industrial output, falling investment, and reduced private consumption offset earlier gains from front-loaded exports to the US. The downturn, compounded by new US tariffs and long-standing structural challenges, dashed hopes of a quick recovery for Europe's largest economy after two years of recession. While the Bundesbank expects stagnation to persist in the near term, economists see potential support from strong government investment plans, low inflation, and resilient wage growth starting in 2026.



Source: Earle, J. (2025, June 17). Mount fuji towers above a japanese town street. Unsplash.  
<https://unsplash.com/photos/mount-fuji-towers-above-a-japanese-town-street-BMvMCy8uitM>



## OUTLOOK

- A defensive market with a downward bias.
- Policy rate will dictate market movement this week
- Ghost month period will keep investors on the sidelines



## STRATEGY

- Take advantage of the market weakness to position
- Focus buying on the big cap and dividend paying stocks
- Opportunity to position on the longer tenors

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