

# MARKET BLUEPRINT



WEEKLY NEWSLETTER

Issue 2 : Sep 05, 2025

## WHAT'S HOT?

By EastWest Trust & Asset Management Group >>>>

### BONDS

Local bond yields declined for the fourth consecutive week, with an average decrease of 3.49 basis points (bps) compared to the previous week, driven by the policy rate cut on Thursday. The yield curve steepened, as the 2-year yield fell by 5 bps week-on-week in response to the rate cut, while the 10-year yield increased by 2 bps week-on-week, reflecting market expectations for higher inflation and growth down the line as a result of the rate cut. We anticipate that short-term yields will continue to decrease in the secondary market, following the reaction of yields in the auction to the rate reduction. Likewise, U.S. Treasury yields dropped by an average of 4.38 bps, with the 2-year yield falling the most by 9 bps, as market participants worried that a Fed controlled by Trump might push for lower short-term borrowing rates. On Monday, Trump announced via social media that he was firing Federal Reserve Governor Lisa Cook.

### STOCKS

The PSEi continued its downward trend for the third straight week, falling by 126.01 points week-on-week to close at 6,155.57. Trading volume surged 140% from the previous week, reaching 37 billion, aligning with the annual average. The index was weighed down by above-average foreign selling, totaling 3.83 billion, despite the central bank's policy rate cut. On Friday, telecommunications stocks dropped amid concerns over the Konektadong Pinoy bill. We expect the index to close the week lower, as investors are likely to remain cautious amid the ongoing government investigation into alleged anomalies in multibillion-peso flood control projects. Meanwhile, the VIX rose by 1.14 points to 15.36 week-on-week, though it remains below its 35-year average of 19.47, influenced by ongoing systematic volatility selling.

### FOREIGN EXCHANGE

The peso weakened by 0.18 centavos, closing at Php57.13, compared to the previous week. This occurred despite an uptick in remittances at month-end, which typically boosts demand for the peso. The currency's decline can be attributed to lower bond yields and a drop in the PSEi index, both of which dampened demand for the peso. Additionally, the U.S. Dollar Index strengthened by 0.055 points, rising to Php97.771, further contributing to the peso's depreciation. We expect the USD/PHP pair to continue losing value, as bond yields and the PSEi index are likely to end the week in the red.



Source: Ardian Pranomo. (2025, March 24). Saving the world through financial investment. Unsplash.com; Unsplash. <https://unsplash.com/photos/saving-the-world-through-financial-investment-Od2uQeLuEGU>

## Bit by bit, the world economy's resilience is being worn away

Growth has held up astonishingly, given geopolitics. But it can't last for ever Insights from The Economist

Despite political turmoil, trade wars, and the pandemic, the global economy has shown remarkable resilience over the past decade, with steady growth, low unemployment, and strong stock markets. This strength stems from improved demand management—through fiscal stimulus and low interest rates in rich countries, and better monetary policies in emerging markets—as well as flexible supply chains and innovations like U.S. shale oil.

However, this "Teflon capitalism" is under threat. Governments' heavy reliance on fiscal stimulus has led to rising debt, reducing their capacity to respond to future crises. Meanwhile, protectionist industrial policies and supply-chain interventions risk undermining the efficiency and resilience that markets provide. History suggests prolonged stability can breed complacency and risky behavior. If political pressures—such as threats to central bank independence—mount, today's economic calm could quickly unravel.

|                               | 29-Aug    | 1Wk%<br>or bps<br>Chg | 1Mo%<br>Chg or<br>bps Chg | 1Yr%<br>Chg or<br>bps Chg |
|-------------------------------|-----------|-----------------------|---------------------------|---------------------------|
| <b>Bonds</b>                  |           |                       |                           |                           |
| 3M BVAL yield                 | 5.43      | -0.57                 | -0.02                     | -0.53                     |
| 10Y BVAL yield                | 6.02      | 0.02                  | -0.21                     | -0.05                     |
| 10Y & 3M BVAL<br>difference   | 0.59      | 0.59                  | -0.18                     | 0.53                      |
| 3M US yield                   | 4.23      | -0.04                 | -0.17                     | -0.99                     |
| 10Y US yield                  | 4.23      | -0.03                 | -0.11                     | 0.36                      |
| 10Y & 3M US difference        | -         | 0.01                  | 0.06                      | 1.35                      |
| <b>Stocks</b>                 |           |                       |                           |                           |
| PSEI                          | 6,155.57  | -2.01                 | -2.69                     | -10.68                    |
| PSEI Total Return Index       | 2,668.72  | -1.73                 | -2.45                     | -7.76                     |
| S&P 500                       | 6,460.26  | -0.10                 | 1.40                      | 15.53                     |
| VIX                           | 15.36     | 8.02                  | -3.88                     | -1.85                     |
| Dow Jones                     | 45,544.88 | -0.19                 | 2.04                      | 10.18                     |
| NASDAQ                        | 21,455.55 | -0.19                 | 1.69                      | 22.49                     |
| Hang Seng Index               | 25,077.62 | -1.03                 | -1.75                     | 40.99                     |
| CSI 300 Index                 | 4,496.76  | 2.71                  | 8.30                      | 37.19                     |
| MSCI AC Asia Pacific<br>Index | 211.50    | -0.53                 | 2.33                      | 14.07                     |
| MSCI Asia ex-Japan            | 823.65    | -0.48                 | 0.06                      | 17.57                     |
| MSCI EM                       | 1,258.44  | -0.64                 | 0.49                      | 14.93                     |
| MSCI EAFE                     | 2,722.38  | -1.46                 | 2.83                      | 11.22                     |
| MSCI World - DM               | 4,177.72  | -0.36                 | 1.83                      | 15.02                     |
| MSCI All-Country World        | 951.57    | -0.39                 | 1.69                      | 15.02                     |
| <b>Currencies</b>             |           |                       |                           |                           |
| USD/PHP                       | 57.14     | 0.35                  | -0.32                     | 1.51                      |
| USD/JPY                       | 147.05    | 0.07                  | -0.95                     | 1.42                      |
| USD/THB                       | 32.39     | -0.77                 | -0.10                     | -4.54                     |
| USD/IDR                       | 16,490.00 | 0.89                  | 0.56                      | 6.97                      |
| USD/EUR                       | 0.86      | 0.28                  | -1.19                     | -5.20                     |
| USD/GBP                       | 0.74      | 0.16                  | -1.13                     | -2.49                     |
| USD/CHF                       | 0.80      | -0.12                 | -0.68                     | -5.52                     |
| USD/AUD                       | 1.53      | -0.75                 | -0.46                     | 3.96                      |
| MSCI EM Currency Index        | 1,834.62  | 0.11                  | -0.10                     | 4.12                      |
| US Dollar Index               | 97.77     | 0.06                  | -1.13                     | -3.52                     |
| <b>Commodities</b>            |           |                       |                           |                           |
| Crude Oil (WTI Cushing)       | 64.01     | -0.08                 | -7.51                     | -15.68                    |
| Crude Oil (Brent)             | 68.12     | 0.58                  | -6.05                     | -14.79                    |
| Gold                          | 3,447.95  | 2.26                  | 3.65                      | 36.75                     |
| Thai Rice                     | 370.00    | -1.60                 | -4.39                     | -38.54                    |
| Vietnam Rice                  | 408.50    | -0.64                 | 1.62                      | -30.02                    |
| Bloomberg Commodity<br>Index  | 102.79    | 1.14                  | -1.01                     | 5.96                      |



## LOCAL NEWS

### PH Economic Snapshot: BSP Cuts Policy Rate to 5%; Inflation Seen at 1.0%–1.8% in August; DoF Sees Household Spending, Base Effects Lifting Growth to 5.5% in 2025; and Moody's Affirms PH Baa2 Rating, Cites Strong Reserves and Resilient Growth



Source: Unsplash. (2020, May 16). Photo by Anne Nygård on Unsplash. Unsplash.com. [https://unsplash.com/photos/brown-and-white-paper-bag-OtqaCE\\_SEMI](https://unsplash.com/photos/brown-and-white-paper-bag-OtqaCE_SEMI)

The BSP's Monetary Board cut the policy rate by 25 basis points to 5.0%, with corresponding adjustments to deposit and lending facility rates, while keeping its inflation outlook broadly unchanged at 1.7% for 2025. Officials noted that domestic demand remains firm, but external headwinds from US policies could weigh on growth, with risks such as electricity rate hikes and rice tariffs posing upside inflation pressures. The BSP emphasized its commitment to monitoring emerging risks and maintaining price stability to support sustainable growth and employment.

The BSP expects August 2025 inflation to range between 1.0% and 1.8%, with upward pressures from higher food, electricity, fuel, and peso depreciation partly offset by declining rice and meat prices. Unfavorable weather conditions are seen to drive food price increases, while energy costs add to overall inflation risks. The BSP reaffirmed its commitment to closely monitoring economic developments and maintaining a data-dependent approach to monetary policy.

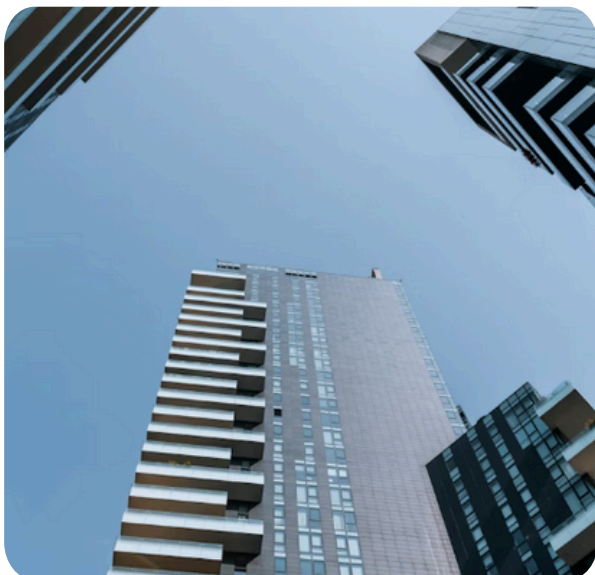
The Department of Finance expects improved household spending, easing inflation, and base effects to help the Philippines achieve at least the lower end of its 5.5–6.5% growth target this year. Finance officials highlighted that consumption, supported by lower interest rates and rising exports, will remain the main growth driver, though external risks remain. Economists also pointed to potential gains from agriculture recovery and investments, while structural reforms are expected to strengthen the economy against uncertainties.

Moody's affirmed the Philippines' Baa2 rating with a stable outlook, citing the country's strong access to funding markets, ample foreign reserves of \$105.4 billion, and resilience to global capital flow volatility. The BSP highlighted that these reserves and policy space help maintain stability amid external shocks, while Moody's also noted the economy's relatively strong 5.4% growth in the first half of 2025, supported by remittances. An investment-grade rating signals low credit risk, helping reduce borrowing costs and enabling the government to allocate more resources to social programs.



## CORPORATE NEWS

### Corporate Snapshot: IFC Grants Php 12.9-B Loan to Ayala Land for Sustainable Malls; MREIT Accelerates Expansion; and ERC Extends Meralco–First Gen Power Deal to 2026



Source: Georgi Kalaydzhev. (2023, March 20). looking up at tall buildings in a city. Unsplash.com; Unsplash. <https://unsplash.com/photos/looking-up-at-tall-buildings-in-a-city-EjQIJRz2chw>

The International Finance Corp. (IFC), the private sector arm of the World Bank, is extending a ₱12.87-billion sustainability-linked loan to Ayala Land Inc. (ALI) to finance two new malls and integrate climate resilience into its projects. The funding will support the development of Greenbelt 1 in Makati and Ayala Malls Evo City in Cavite, while also making ALI the first property developer worldwide to adopt IFC's Building Resilience Index across 50 properties. The investment is expected to generate over 4,000 jobs and strengthen sustainable real estate practices in the Philippines.

MREIT Inc., the real estate investment trust of Megaworld, plans to expand its portfolio by an additional 500,000 square meters of gross leasable area (GLA) within two years to reach its one million square meter target by 2027, three years ahead of schedule. The expansion will include office properties and retail assets such as malls, supported by a proposed capital increase and issuance of up to 1.36 billion new shares to fund acquisitions. Chairman Kevin Tan said the accelerated growth strategy positions MREIT to deliver greater value, leveraging Megaworld's deep pipeline of prime office and retail assets.

The Energy Regulatory Commission (ERC) has approved the interim extension of the power supply agreement between Meralco and First Gen's Sta. Rita gas-fired power plant in Batangas until January 31, 2026, to ensure energy security and avoid potential grid shortages. The extension is expected to raise Meralco's blended generation costs by ₱0.41 to ₱0.51 per kWh in the next three months, but regulators noted that rates would be even higher if the plant operated solely in the spot market. While allowing the extension, the ERC ordered that the plant be dispatched only at minimum levels and reminded Meralco to secure the least-cost power supply for consumers.



## GLOBAL NEWS

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



US consumer sentiment dropped to a three-month low in August, falling to 58.2 from 61.7 in July, driven by concerns over tariffs, inflation, and economic uncertainty. Consumers expect inflation to rise, with 63% anticipating higher unemployment over the next year, further dampening their outlook on major purchases. Meanwhile, continued jobless claims have been rising, particularly in Washington, DC, signaling weakened labor-market conditions, with government cost-cutting and layoffs contributing to the surge in unemployment claims.



Japan's unexpected 1.6% drop in July production raises concerns about third-quarter growth and tests the Bank of Japan's plan for another rate hike. While the BOJ has signaled a desire for strong data before tightening, weak output, particularly in auto production, could delay its stimulus reduction. The decline, influenced by US tariffs on autos, is somewhat offset by a weak yen supporting exports.



The European Central Bank's July meeting minutes indicate that most Governing Council members view inflation as stable and the economy resilient, reducing the likelihood of immediate rate cuts. The ECB is expected to hold policy steady in September while monitoring the euro area's response to trade challenges. Tariffs are anticipated to have a more noticeable impact later, potentially leading to a rate cut in December.



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-BMvIMCy8uitM>



## OUTLOOK

- Expect defensive and lighter market activity
- Equities and bonds will be range-bound
- Investors will be guided by US macro data and local CPI
- We do expect some bargain-hunting as market consolidates
- PSEi range: 6,100 to 6,250 in the near term



## STRATEGY

- Take advantage of the range-bound market
- Weakness in the equities and bonds are windows to position
- Focus on big-caps and dividend paying
- Better value on the 7y to 10y bonds

#### Prepared by the Trust Investments Team:

Bede Gomez  
Judy Domingo

#### Contact Information:

EastWest Bank  
The Beaufort  
5th Avenue corner 23rd Street  
Bonifacio Global City, Taguig City  
[trustmarketing@eastwestbanker.com](mailto:trustmarketing@eastwestbanker.com)

## References

- BWORLD Online. (2025, August 31). Low end of GDP goal seen possible – DOF. BusinessWorld. <https://www.bworldonline.com/economy/2025/08/31/694860/low-end-of-gdp-goal-seen-possible-dof/>
- Bangko Sentral ng Pilipinas. (2025, August 31). BSP issues statement on monetary policy decision. Bangko Sentral ng Pilipinas. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7651&MType=MediaReleases>
- Bangko Sentral ng Pilipinas. (2025, August 28). BSP releases latest inflation forecast. Bangko Sentral ng Pilipinas. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7646&MType=MediaReleases>
- Bangko Sentral ng Pilipinas. (2025, August 25). BSP announces new economic outlook for Q3. Bangko Sentral ng Pilipinas. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7644&MType=MediaReleases>
- Philstar. (2025, August 30). Ayala Land secures P12.9 billion loan from IFC. The Philippine Star. <https://www.philstar.com/business/2025/08/30/2469017/ayala-land-secures-p129-billion-loan-ifc>
- Philstar. (2025, August 31). MREIT bolstering portfolio, adding more leasable assets. The Philippine Star. <https://www.philstar.com/business/2025/08/31/2469243/mreit-bolstering-portfolio-adding-more-leasable-assets>
- BWORLD Online. (2025, September 1). ERC approves Meralco, First Gen power supply deal extension until 2026. BusinessWorld. <https://www.bworldonline.com/corporate/2025/09/01/694834/erc-approves-meralco-first-gen-power-supply-deal-extension-until-2026>
- BWORLD Online. (2025, September 1). Treasury bill, bond rates may drop after BSP cut. BusinessWorld. <https://www.bworldonline.com/banking-finance/2025/09/01/694803/treasury-bill-bond-rates-may-drop-after-bsp-cut/>
- CNBC. (2025, August 27). US Treasury yields: Investors look ahead to key inflation data. CNBC. <https://www.cnbc.com/2025/08/27/us-treasury-yields-investors-look-ahead-to-key-inflation-data.html>
- CNBC. (2025, August 28). US Treasury yields: Investors look ahead to key inflation gauge. CNBC. References

Disclaimer: The information in this material has been gathered from sources considered reliable; however, EastWest Bank makes no guarantees regarding its completeness, correctness, accuracy, or usefulness and assumes no liability for any losses resulting from its use or the analysis provided. Neither EastWest Bank Management, its affiliates, nor any of their directors, officers, or employees shall be held responsible for any direct or indirect loss, damage, or other consequences arising from any person's actions or inaction based on this information. This material is provided for informational purposes only and should not be considered a professional advice, recommendation, or an offer, invitation, or solicitation by EastWest Bank for anyone to buy or sell securities. Historical performance is not a reliable indicator of future outcomes, and all investments involve inherent risks. This material, whether in whole or in part, may not be copied, shared, distributed, circulated, published, or disclosed to any third party in any form or for any purpose without prior authorization from EastWest Bank.

For any inquiries or concerns regarding this publication or our Trust and Asset Management services, you may contact your Relationship Manager through [trustmarketing@eastwestbanker.com](mailto:trustmarketing@eastwestbanker.com) or 8575-3888 loc. 3942