

MARKET BLUEPRINT



WEEKLY NEWSLETTER

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WHAT'S HOT?

By EastWest Trust & Asset Management Group >>>>

BONDS

Yields extended their decline for a seventh consecutive week, averaging 4 bps lower by week's end amid a supportive global rates backdrop. Although markets had already priced in a U.S. policy rate cut, expectations shifted toward two additional cuts (versus just one previously) based on the Fed's median dot plot, keeping yields on a downward drift. Locally, the 2-year yield—more sensitive to policy expectations—fell more than the 10-year, resulting in a steeper curve. Given the U.S. policy move, the BSP has room to cut rates in October, and expectations of such a rate cut are likely to continue driving local GS yields lower. In the U.S., however, yields edged 0.8 bps higher on average as the Treasury rally proved short-lived, with traders framing the Fed's move as a precautionary "insurance cut" rather than the start of a deep easing cycle. Short-term yields (1 year and below) declined on expectations of near-term Fed cuts, while longer tenors rose amid concerns about tariff-driven inflation and uncertainty surrounding unemployment.

STOCKS

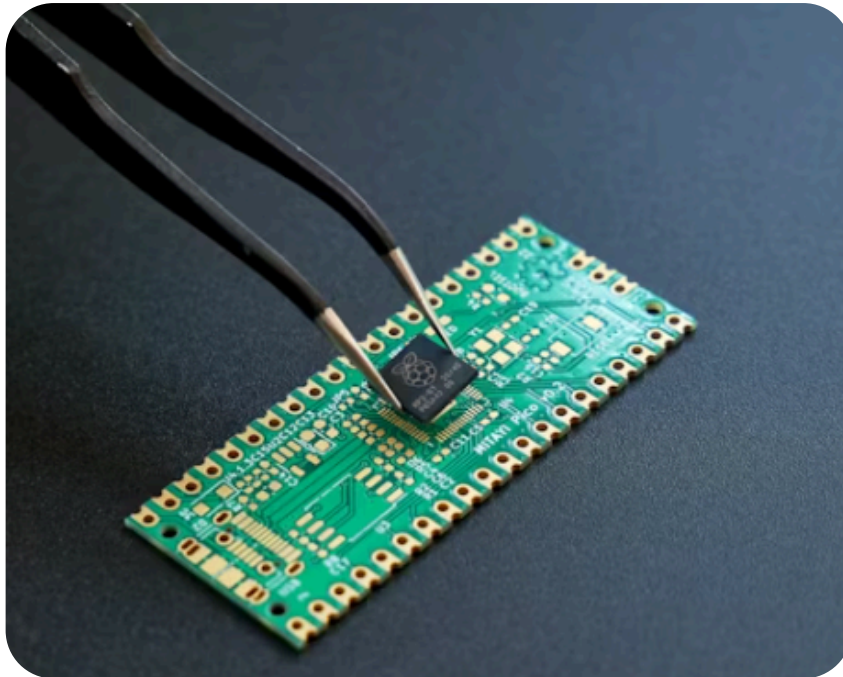
After five consecutive weeks in the red, the bellwether index closed the week in green at 6,264.40, up 155.28 points wow. Total value traded reached ₱44 billion, 45% higher than the 2025 average, supported by net foreign buying of ₱350 million. Stronger appetite for equities was driven by the inclusion of Philippine bonds in JP Morgan Chase & Co.'s Emerging Government Bond Index positive watchlist. However, the rally may be tempered this week by profit-taking.

Meanwhile, the VIX index rose 0.69 points wow to 15.45, remaining well below its 35-year average of 19.46. This modest increase in the VIX occurred against a backdrop of positive equity market performance, bolstered by the recent policy rate cut.

FOREIGN EXCHANGE

The peso dipped slightly against the dollar, closing the week at 57.15, down 0.05 points, despite bullish momentum in the equity and bond markets. The currency's subdued performance largely reflects clients continuing to fulfill their dollar requirements, a trend expected to persist through the end of the month.

Meanwhile, the DXY index rose 0.094 points to 97.644 from the previous week. The dollar's strength was underpinned by the Fed's hawkish tone, rising U.S. Treasury yields, and the unwinding of short positions.



Mohanan, V. (2021, December 31). a close up of a piece of electronic equipment. Unsplash.
<https://unsplash.com/photos/a-close-up-of-a-piece-of-electronic-equipment-zs4gtT8th0O>

America is easing chip-export controls at exactly the wrong time

The ban on sales to China was working, and should be kept in place: Insights from The Economist

China has rapidly advanced in AI, with labs unveiling models rivaling or surpassing America's best, but its progress has been slowed by U.S. export controls on Nvidia's H20 chips, which are vital for running AI systems at scale. The Trump administration's reversal of the chip ban risks undermining America's advantage in the AI race, since the restrictions had effectively limited China's ability to commercialize its models despite stimulating long-term domestic chip development. Given the geopolitical stakes and the potential arrival of superintelligent AI by 2030, the article argues that the U.S. should prioritize short-term dominance by maintaining strict chip export controls, even if it strengthens China's hardware industry in the long run.

	19-Sep	1Wkz or bpr Chg	1Mnz or bpr Chg	1Yrz or bpr Chg
Bonds				
3MEVAL yield	5.31	-0.66	-0.13	-0.50
10YBVAL yield	5.96	-0.01	-0.02	0.13
difference	0.65	0.65	0.11	0.63
3MUS yield	4.03	-0.05	-0.27	-0.77
10YUS yield	4.14	0.08	-0.16	0.41
10Y-3MUS difference	0.11	0.13	0.11	1.18
Stocks				
PSEI	6,264.49	2.54	-0.21	-13.02
PSEI Total Return Index	2,709.69	1.82	-0.22	-10.53
S&P 500	6,664.36	1.22	3.95	16.64
VIX	15.45	4.67	-0.77	-5.39
Dau Jones	46,315.27	1.05	3.10	10.21
NASDAQ	22,631.48	2.21	6.18	25.63
Hang Seng Index	26,545.10	0.59	5.66	47.37
CSI300 Index	4,501.92	-0.44	6.60	40.86
MSCI AC Asia Pacific Index	220.48	0.09	3.43	18.89
MSCI Asia ex-Japan	878.42	0.73	5.53	24.53
MSCI EM	1,340.91	1.15	5.52	21.88
MSCI EAFE	2,753.66	-0.19	0.43	12.83
MSCI World - DM	4,293.85	0.97	3.34	16.38
MSCI All-Country World	981.75	0.99	3.57	16.95
Currencies				
USD/PHP	57.13	0.01	0.03	2.75
USD/JPY	147.95	0.18	0.19	3.73
USD/THB	31.85	0.44	-2.02	-3.74
USD/IDR	16,588.00	1.28	2.11	8.86
USD/EUR	0.85	-0.11	-0.85	-4.98
USD/GBP	0.74	0.62	0.15	-1.39
USD/CHF	0.80	-0.14	-1.51	-6.17
USD/AUD	1.52	0.84	-2.11	3.36
Index	1,848.34	0.14	0.56	3.92
US Dollar Index	97.64	0.10	-0.63	-2.95
Commodities				
Crude Oil (WTI Cushing)	62.68	-0.02	0.53	-12.88
Crude Oil (Brent)	66.68	-0.46	1.35	-10.95
Gold	3,685.30	1.16	11.14	42.47
Thai Rice	379.00	1.88	0.26	-34.43
Vietnam Rice	402.00	-0.06	-2.31	-30.96
Bloomberg Commodity Index	102.97	-0.79	3.49	5.23



LOCAL NEWS

Economic Forces at Play: Potential Entry to J.P. Morgan's EM Bond Index; JCR Affirms PH's Investment-Grade "A-" Rating; DA Trims 2025 Palay Output Forecast After Floods, Still Above 2024 Levels; and Election Spending Fails to Boost Grocery Sales as Discounters Gain Ground



Winkler, M. (2025, February 27). The word bond spelled with scrabble blocks on a table. Unsplash. https://unsplash.com/photos/the-word-bond-spelled-with-scrabble-blocks-on-a-table-_QZ9nWYPbZk

The Philippines has been placed on J.P. Morgan's positive watchlist for potential inclusion in its Government Bond Index for Emerging Markets (GBI-EM), which could bring more foreign investment, boost liquidity, and lower borrowing costs for both the government and private sector. The move reflects recent capital market reforms, including the revival of the repo market, improvements in bond market liquidity, and expanded foreign investor access, with a final decision expected by early 2026.

Japan Credit Rating Agency (JCR) affirmed the Philippines' investment-grade "A-" rating with a stable outlook, citing the country's strong and sustainable economic growth, robust domestic demand, solid foreign exchange reserves, and a stable financial system. It highlighted the soundness of the banking sector, with strong loan growth, lower non-performing loan ratios, and capital adequacy levels well above local and international standards. JCR also noted easing inflation, healthy gross international reserves, and government efforts in fiscal consolidation, infrastructure, and poverty reduction, while warning that setbacks in fiscal reforms could weigh on the rating.

The Department of Agriculture lowered its forecast for palay (unmilled rice) production after heavy floods in July to 20.09-20.39 million metric tons, down from the earlier estimate of 20.46 million metric tons. Despite the downgrade, the projected output still exceeds 2024's level of 19.09 million metric tons, with inventories expected to reach about 3.86-3.96 million metric tons.

Supermarkets in the Philippines say the usual spending surge during midterm elections was muted this time, largely because intense competition from discounters has squeezed demand. Discount stores offering house brands and more imported items have increased consumer choice, kept prices stable or even lowered, particularly for essentials. Also, some consumer funds are going toward online gambling rather than groceries, leading to slower grocery sales despite high inventory levels.



CORPORATE NEWS

Corporate Snapshot: First Gen Accelerates Renewable Push with \$20 Billion Growth Plan; MGen Targets Malaysia in Regional Power Expansion; and BDO Partners with VinGroup to Expand EV Infrastructure



Heckner, M. (2020, February 20). black car parked beside white building. Unsplash. <https://unsplash.com/photos/black-car-parked-beside-white-building-FVNuq6YQwps>

Lopez-led First Gen Corp. plans to invest around \$20 billion over the next five years to expand its power capacity to 13 gigawatts through geothermal, solar, hydropower, and natural gas projects both in the Philippines and abroad, including up to 600 MW of geothermal capacity in Indonesia. The company is starting drilling for its Amacan geothermal project in Mindanao and aims to scale up its solar, hydro, and natural gas initiatives, in partnership with Prime Infrastructure Capital. While ambitious, achieving the 13-GW target by 2030 remains challenging due to the long development timelines of power projects and alignment with the country's projected electricity demand growth under the 2023-2050 Power Development Plan.

Meralco PowerGen Corp. (MGen) plans to expand regionally, targeting Malaysia as its next power market, driven by growing demand from data centers requiring substantial electricity. The company aims to replicate its Singapore operations, where it currently has about 900 MW through PacificLight Power, and is exploring opportunities for both green and brownfield projects, potentially entering Malaysia by 2028 with a local partner. MGen's total capacity across the Philippines and Singapore stood at 5,068 MW as of August, with plans to grow its portfolio to 10,346 MW within the next five years.

BDO Unibank has partnered with Vietnamese conglomerate VinGroup to promote green transportation in the Philippines. The collaboration aims to support the adoption of electric vehicles (EVs) and the development of EV infrastructure, aligning with the country's sustainability goals. This initiative is part of BDO's broader commitment to environmental sustainability and innovation in the financial sector.



GLOBAL NEWS

Global Economy: Fed Signals Measured Path on Rates, Defying Market Bets and Trump Pressure; Factory Output, Consumption Post Weakest Gains of the Year in July; and Lagarde Says Prices Tamed but Outlook Remains Uncertain



Jerome Powell emphasized that the Federal Reserve remains cautious despite lowering rates by 25 basis points and projecting two more cuts this year, resisting both market bets on aggressive easing and political pressure from Donald Trump. Policymakers signaled they are still wary of inflation risks, with only one dissent from Trump's newly appointed adviser. Bond traders read the stance as uncertainty in the policy path, causing an initial Treasury rally to fade and yields to rise, with analysts framing the move as a risk-management "insurance cut" rather than the start of deep easing.



China's industrial output and consumer spending suffered their weakest performance of the year in July, adding pressure on Beijing's negotiators ahead of this week's high-level trade talks with US officials. Data from the National Bureau of Statistics on Monday showed factory and mining production rose just 5.2% year-on-year, the slowest pace since August 2024.



ECB officials are awaiting December forecasts to judge if current rates can sustain 2% inflation, with most agreeing that the 2% deposit rate is appropriate for now. While President Christine Lagarde said inflation has been tamed, policymakers remain divided on risks and on how much to tolerate a temporary undershoot. With rates left unchanged in September and projections showing 2027 inflation at 1.9%, markets have tempered expectations of further cuts as the next outlook will extend to 2028.



Spiske, M. (2021, March 20). white paper with green line. Unsplash. <https://unsplash.com/photos/white-paper-with-green-line-jgOkejVw-KM>



OUTLOOK

- US Economic data will keep market defensive
- Market will continue to digest the recent Fed cut
- Local equities will remain defensive on political events
- We don't expect big moves on bonds and equities
- Market will position for the quarter-end window dressing



STRATEGY

- Take advantage of the low-priced equities
- Focus on big-cap and dividend-paying stocks
- We see more value on the longer-tenor bonds
- Continue to stay invested

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Bloomberg Articles

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