MARKET BLUEPRINT

eastwest

WEEKLY NEWSLETTER

Issue 8 : Oct 17, 2025

WHAT'S HOT?

By EastWest Trust & Asset Management Group

BONDS

Yields declined by an average of 4 basis points (bps), supported by the Bangko Sentral ng Pilipinas' (BSP) 25-bp policy rate cut. Buying pressure was most pronounced in the belly of the curve (tenors from 3 to 7 years), where yields fell the most—by 10 bps—followed by the long end (-4 bps) and the short end (+2 bps). The yield curve bull steepened as the 2-year yield declined more than the 25-year bond. The long end did not fall as much, as investors anticipated stronger economic activity in the medium term and inflation expectations to remain anchored but mildly rising. We expect a sell-off in the bond market due to profit-taking.

STOCKS

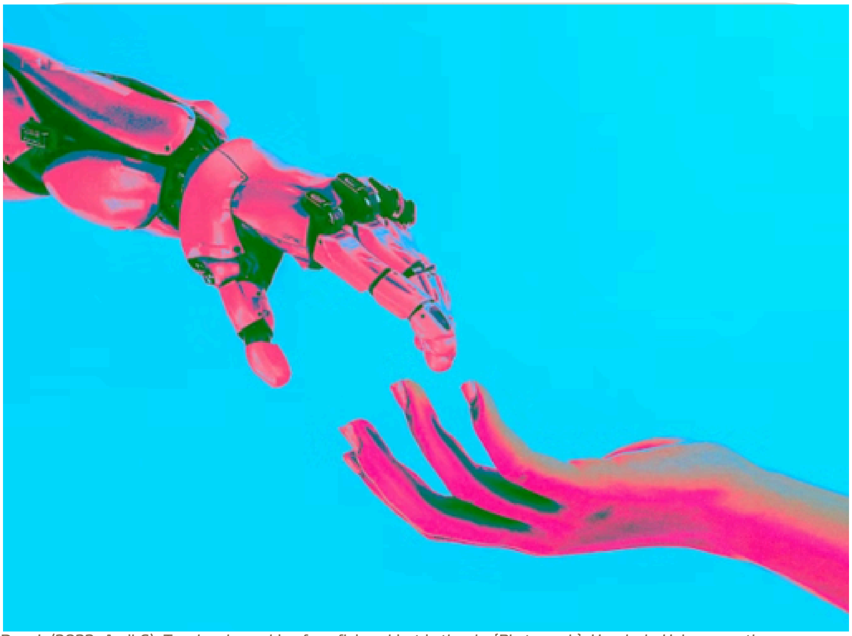
The bellwether index dropped by 71.07 points to close the week at 6,037.79, despite the recent policy rate cut aimed at lowering borrowing costs for businesses. Investor sentiment was likely dampened by the peso's depreciation, which signaled potential risks to corporate profitability and foreign investor returns. We expect the PSEi to continue weakening due to Trump's renewed trade war.

Meanwhile, the VIX index closed at 21.66, its highest level since June 19, reflecting heightened market anxiety following former U.S. President Donald Trump's remarks about imposing an additional 100% tariff on Chinese imports and implementing export controls on critical U.S.-made software.

FOREIGN EXCHANGE

The USD/PHP pair depreciated by 0.365 to 58.24 as the DXY index strengthened by 1.255 points to 98.978 over the same period. The peso's depreciation was largely driven by the recent policy rate cut, which reduced the appeal of interest-sensitive assets. Further weighing on the local currency were declines in domestic bond yields and a weaker PSEi. We expect the peso to remain weak as lingering corruption concerns continue to weigh on investor confidence.

The U.S. dollar's strength was supported by the yen's decline, amid rising concerns over potential fiscal expansion in Japan, and by the euro's weakness, which stemmed from political uncertainty in France.



Doe, J. (2023, April 6). Two hands reaching for a flying object in the sky [Photograph]. Unsplash. Unknown author. (n.d.). A robot hand holding a letter that says "AI" [Photograph]. Unsplash. De Livera, M. (2021, August 9). a view of a large open pit in the middle of nowhere. Unsplash. https://unsplash.com/photos/a-view-of-a-large-open-pit-in-the-middle-of-nowhere-4Gf51uYOYQE

AI valuations are verging on the unhinged

Unless superintelligence is just around the corner
Insights from The Economist

In Silicon Valley, "vibe coding"—using generative AI to build software without traditional programming—and its counterpart, "vibe valuing," where investors assign sky-high valuations to AI startups without solid financials, are booming. Mira Murati's new AI firm, Thinking Machines Lab, raised $2 billion at a $10 billion valuation despite lacking a clear strategy, reflecting how investor excitement now outweighs traditional metrics like revenue growth, churn, and cash burn. Rapid but unstable revenue surges, such as those of Anysphere and Windsurf, illustrate the volatility of AI startups, where "experimental run rate" often replaces reliable annual recurring revenue. Fierce competition, uncertain sustainability, and dependence on large AI labs further complicate the picture. Even loss-making firms like Perplexity and OpenAI attract massive valuations, fueled by optimism about AI's vast potential. While some investors still trust old-school valuation measures, for now, the market is driven more by hype and vibes than hard numbers.

	10-Oct	1Wk% or bps Chg	1Mo% Chg or bps Chg	1Yr% Chg or bps Chg
Bonds				
3M BVAL yield	5.34	-0.69	-0.12	-0.11
10Y BVAL yield	5.96	-0.07	0.00	0.19
10Y & 3M BVAL	0.62	0.62	0.11	0.30
3M US yield	4.02	-0.01	-0.07	-0.73
10Y US yield	4.05	-0.08	0.01	-0.04
10Y & 3M US difference	0.03	-0.07	0.08	0.69
Stocks				
PSEI	6,037.79	-1.16	-1.34	-18.53
PSEI Total Return Index	2,624.69	-0.03	-1.27	-15.79
S&P 500	6,552.51	-2.43	0.31	13.36
VIX	21.66	30.09	41.11	3.49
Dow Jones	45,479.60	-2.73	-0.02	7.13
NASDAQ	22,204.43	-2.53	1.45	21.45
Hang Seng Index	26,290.32	-3.13	0.34	23.71
MSCI AC Asia Pacific	222.92	-0.59	2.28	15.78
MSCI Asia ex-Japan	896.13	-0.44	4.23	18.66
MSCI EM	1,365.67	-0.60	4.45	18.04
MSCI EAFE	2,757.98	-1.87	0.42	14.47
MSCI World – DM	4,237.72	-2.30	0.33	14.20
MSCI All-Country World	972.25	-2.11	0.77	14.63
Currencies				
USD/PHP	58.27	0.67	1.99	1.59
USD/JPY	151.19	2.52	2.53	1.76
USD/THB	32.72	1.01	2.93	-2.59
USD/IDR	16,553.00	0.08	0.56	5.67
USD/EUR	0.86	1.06	0.64	-5.90
USD/GBP	0.75	0.90	1.27	-2.26
USD/CHF	0.80	0.48	0.05	-6.70
USD/AUD	1.54	2.02	2.16	4.09
MSCI EM Currency Index	1,838.20	-0.39	-0.34	3.85
US Dollar Index	98.98	1.28	1.23	-3.89
Commodities				
Crude Oil (WTI Cushing)	58.90	-3.25	-7.49	-22.35
Crude Oil (Brent)	62.73	-2.79	-7.05	-20.99
Gold	4,017.79	3.38	10.36	52.78
Thai Rice	355.00	-1.93	-6.33	-30.80
Vietnam Rice	395.25	-1.25	-1.74	-30.84
Bloomberg Commodity Index	104.09	-1.20	0.80	3.52

LOCAL NEWS

Economic Forces at Play: Inflation Inches Up to 1.7% in September; BSP Cuts Policy Rate to 4.75%; Unemployment Falls to 3.9%; DA Lifts Ban on Poultry Imports; and DTI Braces for Surge of Dumped Goods Following U.S. Tariffs

Smit, C. (2019, November 25). Pile of vegetables [Photograph]. Unsplash. Winkler, M. (2024, January 7). Scrabble tiles spelling policy on a wooden table [Photograph]. Unsplash. Doe, J. (2021, July 15). Green and brown vegetables on wooden table [Photograph]. Unsplash. Images, G. (2024, December 4). Panoramic cityscape of Indonesia capital city Jakarta at sunset. A rare clear day in the polluted city. Unsplash. https://unsplash.com/photos/panoramic-cityscape-of-indonesia-capital-city-jakarta-at-sunset-a-rare-clear-day-in-the-polluted-city-mC7HevOxcls

Philippine headline inflation rose slightly to 1.7% in September from 1.5% in August, staying within the BSP's 1.5–2.3% forecast range. The year-to-date average of 1.7% remains below the government's 2–4% target. The increase was driven by higher transport and food prices, particularly vegetables affected by bad weather, while rice prices declined due to stable supply and lower global prices. On a month-on-month basis, inflation slowed to 0.1% from 0.5% in August, and core inflation eased to 2.6%.

The Bangko Sentral ng Pilipinas (BSP) cut its policy rate by 25 basis points to 4.75%, with corresponding adjustments to the overnight deposit (4.25%) and lending (5.25%) rates. The inflation outlook remains mild and within target, though potential power rate hikes and higher rice import tariffs could pose minor risks. The BSP also noted a weaker growth outlook due to lower business confidence and moderating demand amid external uncertainties.

The Philippine jobless rate fell to 3.9% in August from 5.3% in the previous month, signaling continued improvement in the labor market. Job quality also improved during this period with the underemployment rate easing to 10.7% from 14.8% in August.

The Department of Agriculture (DA) has lifted its ban on live poultry imports from Azerbaijan, Kazakhstan, Saudi Arabia, Slovenia, Sweden, and the Malaysian states of Kelantan and Sabah, after those places reported no new bird flu cases. The Bureau of Animal Industry deemed it safe to resume imports.

The Department of Trade and Industry (DTI) is preparing for an influx of dumped goods (cheap imports sold below cost) entering the Philippines as a response to new tariffs imposed by the U.S. Trade Secretary Ma. Cristina Roque said that goods from China, Vietnam, and elsewhere — such as cement, steel, and garments — may be targeted. The Bureau of Customs is being brought in to help enforce stricter controls. Customs Commissioner Ariel Nepomuceno warned that dumping could hurt government revenue, especially considering the zero-tariff concessions previously granted to U.S. goods (estimated at about ₱30 billion).

CORPORATE NEWS

Corporate Snapshot: DigiPlus expands payment access via Bayad tie-up; ACEN boosts solar arm; and Manila Water adds 56 renewable-powered sites

Smith, J. (n.d.). Red and white round plastic [Photograph]. Unsplash. Henderson, M. (2020, January 21). Green plant in clear glass vase [Photograph]. Unsplash. Moreno, M. (2015, October 16). sunloungers fronting buildings near mountain. Unsplash. https://unsplash.com/photos/sunloungers-fronting-buildings-near-mountain-DGaOLQOyDPc

DigiPlus Interactive Corp. has partnered exclusively with Bayad to expand over-the-counter payment options for BingoPlus, ArenaPlus, and GameZone users. The deal enables customers to cash in through more than 800 Bayad Centers and partner outlets nationwide, with future plans to allow cash-outs and Bayad App integration. Bayad, a BSP-accredited Electronic Money Issuer, named DigiPlus its sole gaming partner for cash transactions.

ACEN has invested ₱1.9 billion in its subsidiary NAREDCO to support a 133-MW solar farm in Cagayan, acquiring 419,690 redeemable preferred shares (22 % stake). The solar plant, which started commercial operations in October 2024, covers 115 hectares and produces about 188 GWh annually—enough to power 45,000 homes. ACEN said the funds will help NAREDCO service its debts and operating costs, strengthening its role in the Luzon grid's renewable capacity.

Manila Water has added 56 more sites—10 in its non-East Zone operations and 45 in its Estate Water service areas—to its retail aggregation program (RAP), bringing the total number of enrolled facilities to 214. Through RAP, Manila Water leverages aggregated demand to procure more competitive and renewable energy supply contracts (via PrimeRES Energy), aiming to reduce energy costs. The move reflects Manila Water's strategy to improve cost efficiency while promoting cleaner energy use across its service zones.

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GLOBAL NEWS

Global Signals: US Consumers Brace for Higher Prices as China's Reserves Rise and Japan Eyes BOJ Intervention

Amid the government shutdown in the U.S., a New York Fed survey revealed that consumers expect higher inflation both one year and five years ahead. Expectations rose notably for food, gas, medical care, and rent, with food inflation expectations hitting their highest level since March 2023. The survey also showed that less-educated, lower-income, and older households were the most likely to anticipate higher prices, highlighting a divergence from the Fed's recent 25-basis-point rate cut and potential plans for another reduction.

China's foreign exchange reserves increased by $10.2 billion in August, reaching $3.165 trillion, according to central bank data released Monday. The gain was smaller than anticipated, reflecting ongoing weakness in the U.S. dollar and the yuan's strong appreciation as China's economy continues its steady recovery.

Sanae Takaichi, poised to become Japan's first female prime minister, has pledged to reassert government control over monetary policy, raising concerns about potential political interference in the Bank of Japan's (BOJ) independence. While her stance echoes former Prime Minister Shinzo Abe's aggressive economic stimulus approach, Takaichi faces significant political constraints, including internal party opposition and a fragile parliamentary majority, which may limit her ability to enforce such changes. Analysts caution that even indirect pressure from the government could undermine the BOJ's autonomy and disrupt financial markets, especially amid rising inflation and a weakening yen.

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OUTLOOK

- **Expect higher volatility on most asset classes on Trump's renewed trade war**
- **The continued government corruption issues will keep Peso weak**
- **Equities prices to remain weak**
- **Expect sell-off on the bond market due to profit-taking**

STRATEGY

- **Continue to take advantage of the low prices of index stocks**
- **For long-term hold, better value on the long-end**
- **Stay defensive**
- **Build position on the dividend paying stocks**

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Bloomberg Articles

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