Investors on guard as US tariff threats evolve

NEW YORK — Investors are seeking to protect portfolios from the potential economic fallout from President Donald J. Trump's tariff plans even as many on Wall Street doubt the situation will erupt into a sustained trade war that cripples assets.

Announcements on tariffs have whipsawed markets this week as investors try to wrap their heads around the evolving dispute. Sweeping tariffs that Mr. Trump ordered on Saturday on Mexico and Canada were paused a month, while tariffs were being imposed on China, which retaliated with levies of its own.

Some investors have been preparing for the potential for tariffs that Mr. Trump vowed to put in place during his campaign, including moving to assets seen as less vulnerable to a trade dispute or geopolitical uncertainty more broadly.

With stocks trading at lofty price-to-earnings ratios, investors also said the tariff news could warrant more caution for equities and create volatility in the near term.

At Nomura Capital Management, where stretched valuations for equities and other risk assets had already spurred the firm to become more defensive in recent months, the tariffs were further reason to be cautious, said Matt Rowe, head of portfolio management and cross-asset strategies.

With the tariff situation, "it's really hard to see exactly where it's going to go, how long it will last," Mr. Rowe said. "But it's easy to say that this is not good for growth, it's not good for consumer spending, and it's likely to have a negative impact on earnings."

The tariff developments caused big swings in equities and currencies on Monday, which retraced initial moves after news of the pauses on the Mexico and Canada tariffs.

"The threat of tariffs is live and that's unlikely to go away," said Michael Medeiros, macro strategist at Wellington Management, adding that the uncertainty could force the firm to explore more tactical, short-term trades.

PROFIT SQUEEZE

Analysts estimate that tariffs could drive up inflation while weighing on economic growth and corporate profits. Goldman Sachs strategists said Mr. Trump's tariffs announced on Saturday — 25% on Canada and Mexico and 10% on China — would reduce their S&P 500 earnings forecasts by roughly 2-3%, while strategists at BofA Global Research said the earnings hit could be as much as 8%.

"If company managements decide to absorb the higher input costs, then profit margins would be squeezed," the Goldman equity strategists said in a note on Sunday. "If companies pass along the higher costs to... end customers, then sales volumes may suffer." — *Reuters*

Sunlight Air eyes bigger aircraft

SUNLIGHT AIR said it plans to acquire large aircraft as the government mandates the removal of turboprop operations from Ninoy Aquino International Airport (NAIA).

"We are already starting our planning sessions for bigger-capacity aircraft. Like any company, we always think about growth. It is definitely in the pipeline," Sunlight Air Chief Executive Officer Ryna C. Brito-Garcia said during a media event in Makati City late Tuesday.

Last month, Sunlight Air announced the acquisition of an ATR 72-600 turboprop aircraft as part of its fleet expansion. The model can seat up to 78 passengers.

The airline currently operates three ATR 72-500 planes. The recent acquisition will be added to the company's fleet by early March.

Ms. Brito-Garcia said Sunlight Air will maximize the March 2026 deadline given to airlines for the transfer of turboprop operations out of NAIA.

In April last year, Sunlight Air relocated its hub to Clark International Airport from NAIA, citing the former's availability of space and advanced technologies.

"There are runways in the Philippines that only allow turboprops because of the (runway) length. So, we're going to have to figure out how to make that experience still accessible and seamless. We just have to work on the transportation between Manila and Clark," she said.

"We're considering offering a point-to-point transportation option from the south all the way to Clark. Sunlight Air is still operating out of Manila, even in 2025 and up to 2026," she added.

Ms. Brito-Garcia said that Sunlight Air has flown half a million passengers since its establishment in 2019.

She added that the company is targeting a 30% increase in passengers flown this year. The airline flew around 30,000 passengers last year.

"There's been a 30% increase already from January 2024 to January 2025. If we're able to sustain that throughout the peak season, we should be able to see that growth as well," she said.

In terms of new routes, Ms. Brito-Garcia said some of the locations being considered include Siquijor and Bantayan Island in Palawan.

"A lot of Filipinos are looking for island destinations that aren't the usual island destinations," she said.

Currently, Sunlight Air flies from Clark, Cebu, and Manila to Siargao; San Vicente, Coron, and Busuanga in Palawan; and Caticlan, Aklan; Iloilo; and Cagayan de Oro.

Also on Tuesday, Sunlight Air launched its new look and branding as part of its efforts to improve customer experience.

The airline also previewed its Sunlight Air Miles loyalty program, where passengers can earn miles for flight and non-flight benefits such as merchandise and treats from partner brands and hotels. — **Revin Mikhael D. Ochave**

Monica Ang-Mercado appointed CFO of SMFB

SAN MIGUEL Food and Beverage, Inc. (SMFB) has named Monica L. Ang-Mercado as its new chief finance officer (CFO), effective Wednesday.

Ms. Ang-Mercado is the daughter of tycoon Ramon S. Ang, chairman of SMFB's parent company, San Miguel Corp. (SMC).

She succeeds Ildefonso B. Alindogan as part of "SMC's management reorganization," the listed food and beverage company said in a regulatory filing on Wednesday.

SMFB also appointed Emmanuel B. Macalalag as the chief operating officer of the company's food division, replacing Francisco S. Alejo III.

Mr. Alejo will remain one of SMFB's directors, alongside Ms. Ang-Mercado and Mr. Alindogan.

SMFB has three business groups: beer and non-alcoholic beverages, spirits, and food. Some of its subsidiaries include San Miguel Brewery, Inc., San Miguel Foods, Inc., and Ginebra San Miguel, Inc.

On Wednesday, SMFB shares fell by 0.19%, or ten centavos, to P51.20 per share, while SMC stocks rose by 6.67%, or P5, to P80 per share. — **Revin Mikhael D. Ochave**

Construction begins for New Cebu Int'l Container Port

THE DEPARTMENT of Transportation (DoTr) announced on Wednesday the start of construction for the P16.93-billion New Cebu International Container Port, which is expected to be completed by the second quarter of 2028.

"This redistribution will pave the way for a seamless flow of goods and services, ensuring our economy remains robust and dynamic," said Transportation Secretary Jaime J. Bautista in a statement.

The New Cebu International Container Port is expected to create space for vessels and cargo, leading to faster turnaround times for commercial ships, the DoTr added.

"The benefits of this project extend far beyond its physical structure. It is expected to generate a wide array of advantages for users, the local community, and the public sector," the DoTr said.

This port project is one of the department's major initiatives and is targeted for completion by 2028.

The cargo port is being developed under an official development assistance scheme from the Export-Import Bank of Korea with transaction advisory services from the International Finance Corporation of the World Bank.

It marks the first public-private partnership (PPP) project of the DoTr in the maritime sector. Last year, the civil works contract was awarded to HJ Shipbuilding Construction Co., Ltd.

Located in Tayud, Consolacion, Cebu, the port will have a capacity of 2,500 twenty-foot equivalent units and will be equipped with four quay cranes.

In 2018, the Department of Finance signed a $172.64-million loan agreement with the Export-Import Bank of Korea for the project.

The port will feature a 500-meter berth and a water depth of negative 12 meters, as well as a 1,365-meter access road connecting the new port to the 300-meter offshore bridge. — **Ashley Erika O. Jose**

Gas stations,

from S1/1

"We see continued demand for oil products, despite developments in EV and other renewable energy sources. Especially in the Philippines, to-date, gasoline and diesel is still a strong contender in the transport sector market and no major shift is expected in the near future," Leo P. Bellas, president of Jetti Petroleum, Inc., said in a Viber message.

Mr. Bellas said that the company has no definite plans yet but "will actively engage should the time comes in support of the initiatives of the DoE."

For Cebu-based fuel retailer Top Line Business Development Corp., its President and Chief Executive Officer Eugene Erik C. Lim said the company is still finalizing its rollout plan for the EV charging infrastructure for its stations.

Inflation,

from S1/1

The index quickened to 3.8% in January from 3.4% a month earlier and 3.5% in the same period a year ago.

Food inflation alone accelerated to 4% from 3.5% in December and 3.3% in 2024.

Vegetables, tubers, plantains, cooking bananas and pulses soared to 21.1% in January from 14.2% in December and the 20.8% decline in the previous year.

In particular, tomato prices had a much faster annual growth rate of 155.7% from 120.8% a month earlier. This accounted for 0.4 percentage point (ppt) or 12.4% of January inflation.

Mr. Mapa said the increase in vegetable prices partly reflected the impact of typhoons.

Several storms hit the country in the fourth quarter, leading to billions of pesos worth of agricultural damage.

The increase in prices of meat and other parts of slaughtered land animals jumped to 6.4% from 4.9% month on month. Meat of pigs rose to 8.4% from 5.1%, while meat of poultry climbed to 8.4% from 7.7%.

Mr. Mapa said higher pork prices were due to cases of African Swine Fever (ASF) in some regions.

Data from the Bureau of Animal Industry showed some 88 municipalities across 19 provinces had active ASF cases.

Meanwhile, fish and other seafood also quickened to 3.3% from 1% a month prior.

RICE DOWNTREND

On the other hand, rice inflation contracted to 2.3% in January from the 0.8% clip in December and 22.6% jump a year prior.

This was also the lowest since the -2.8% rice inflation print in June 2020. It was also the first time that rice posted a contraction since the -0.1% in December 2021.

"Based on the current trend of prices, the expectation is that at least until July, we will expect negative inflation for rice," Mr. Mapa added.

In January, the average price of regular milled rice declined to P48.25 per kilogram from P49.65 a year earlier. Well-milled rice decreased to P54.14 from P54.91, while special rice dropped to P63.13 from P63.90 year on year.

The Agriculture department on Monday declared a food security emergency on rice, which has remained stubbornly high despite the reduction of tariffs. The declaration will allow the National Food Authority to release buffer stocks at subsidized prices to help lower the cost of the staple grain.

"Any action to reduce the price of rice is always beneficial to our Filipino consumers, because rice has a heavy weight in our CPI basket," Mr. Mapa said.

Meanwhile, the PSA said the housing, water, electricity, gas and other fuels index was also a main contributor to inflation, easing to 2.2% in January from 2.9% in December. However, it rose from the 0.7% print a year ago.

Manila Electric Co. lowered the overall rate by P0.2189 per kilowatt-hour (kWh) to P11.7428 per kWh in January from P11.9617 per kWh in December.

Data from the PSA showed inflation of rentals slowed to 2% from 2.4% in December, while water supply eased to 6.2% from 6.8%.

Water rates rose in January. Manila Water Co. raised rates by P5.95 per cubic meter, while Maynilad Water Services, Inc. hiked rates by P7.32 per cubic meter.

Transport inflation also slightly picked up to 1.1% from 0.9% in December and the 0.3% decline a year prior.

In January, pump price adjustments stood at a net increase of P2.65 a liter for gasoline, P4.80 a liter for diesel and P3.80 a liter for kerosene.

Data from the PSA showed inflation for the bottom 30% of income households eased to 2.4% in January from 2.5% a month prior and 3.6% in the previous year.

Consumer prices in the National Capital Region (NCR) eased to 2.8% in January from 3.1% in December. Outside NCR, inflation settled at 2.9%, the same as a month ago.

The central bank said inflation is likely to further ease in the coming months.

"The rice tariff reduction and negative base effects are expected to support disinflation," it said.

However, the BSP noted risks to the inflation outlook continue to lean to the upside, citing "potential upward adjustments in transport fares and electricity rates."

"The impact of lower import tariffs on rice remains as the main downside risk to inflation... However, uncertainty in the external environment could temper economic activity and market sentiment," it added.

National Economic and Development Authority Secretary Arsenio M. Balisacan said the government is working to address food inflation as it remains "one of the government's most pressing priorities."

He said the government is implementing interventions to mitigate the impact of La Niña and ramping up vaccinations against ASF among other measures to help tame inflation.

DOWNSIDE RISKS

Meanwhile, HSBC economist for ASEAN Aris D. Dacanay said the risks to the inflation outlook are tilted to the downside, citing tariff cuts, the recent declaration of the food security emergency, as well as the implementation of a maximum suggested retail price for rice.

Analysts expect the Monetary Board to cut rates at its first policy review of the year next week.

Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said the possibility of a BSP rate cut on Feb. 13 has increased as inflation provides room for easing.

"Despite the slight upside surprise, we expect the BSP to continue loosening the monetary reins to help build support for domestic demand," Mr. Dacanay said.

HSBC expects the Monetary Board to cut by 25 bps at the Feb. 13 meeting.

"Inflation is still within the lower-bound range of the BSP's 2-4% target band, which gives the central bank room to maneuver and slightly shift its focus on growth," Mr. Dacanay said.

The weaker-than-expected GDP data could also "push the central bank to prioritize growth," Mr. Neri said.

The Philippine economy grew by a slower-than-expected 5.2% in the fourth quarter, bringing full-year 2024 growth to 5.6%. This fell short of the government's 6-6.5% target.

Mr. Neri said the central bank will also likely consider the currency in its next policy decision.

"The peso may come under pressure if the Federal Reserve leaves interest rates unchanged for longer. The BSP appears to be open to USD/PHP moving higher as long as inflation remains within target," he added.

However, Mr. Neri said further easing this year is unlikely to be aggressive.

"Nevertheless, we believe the scope for cuts this year remains limited. Aside from interest-differential driven portfolio outflow, the economy's sizeable current account deficit makes the economy more vulnerable to intensifying external shocks i.e. global trade tensions."

BSP Governor Eli M. Remolona, Jr. has signaled the possibility of 50 bps worth of rate cuts this year, citing that 75 bps or 100 bps may be "too much."

This could be delivered in increments of 25 bps each in the first and second half of the year, he added.

However, the BSP chief has said that a rate cut is still on the table at the Feb. 13 meeting.

"Cutting the policy rate aggressively could amplify this vulnerability and exert unmanageable pressure on the peso. We therefore continue to expect a total of 50 bps in RRP rate cuts this year, which will bring the policy rate to 5.25% by yearend," Mr. Neri added.

The central bank began its easing cycle in August last year, slashing borrowing costs by a total of 75 bps by end-2024. It delivered three straight rate cuts, bringing the benchmark to 5.75%.

REBASING

Meanwhile, the PSA said it is set to change the base year of price indices to 2023 from 2018 starting January 2026.

"We are looking at rebasing it to 2023 and the technical staff are already doing the preparatory work," Mr. Mapa said.

"I think next year, not this year. We are doing rebasing for both the GDP and the inflation rate, both 2023," he added.

The PSA periodically rebases the CPI to ensure that the CPI market basket captures goods and services commonly purchased by households over time, update expenditure patterns and synchronize its base year with that of GDP and other indices.

The rebasing is also in accordance with a PSA Board Resolution that approved the synchronized rebasing of price indices to base year 2006 and every six years thereafter

"Right now, what we're doing is we're looking at the commodity items from the last family income and expenditures survey. We may adjust the weights of commodity items," Mr. Mapa said in mixed English and Filipino.

The PSA adjusts the weights of these items based on consumption, he added.

"Second, we also look at items that are new in 2023 versus 2018. There's what we call a commodity and outlet survey, where we go to outlets to see where consumers buy typical commodities," Mr. Mapa said.

"When you have an inflation report, there are some 500,000 items all over the country that the PSA collects. It takes substantial time to prepare and get all of this data," he added.

The PSA approved the CPI rebasing to 2018 from 2012, which took effect in 2022.

Growth target,

from S1/1

The Trump administration on Tuesday announced that it was going to put on leave all directly hired employees of the US Agency for International Development (USAID) globally and recall thousands of personnel working overseas, Reuters reported. (*Related story on S1/10: "Trump administration puts on leave USAID staff globally in dramatic aid overhaul"*).

USAID programs around the world, including the Philippines, were halted after Mr. Trump ordered a freeze on most US foreign aid to ensure this is aligned with his "America First" policy. — **Aubrey Rose A. Inosante**