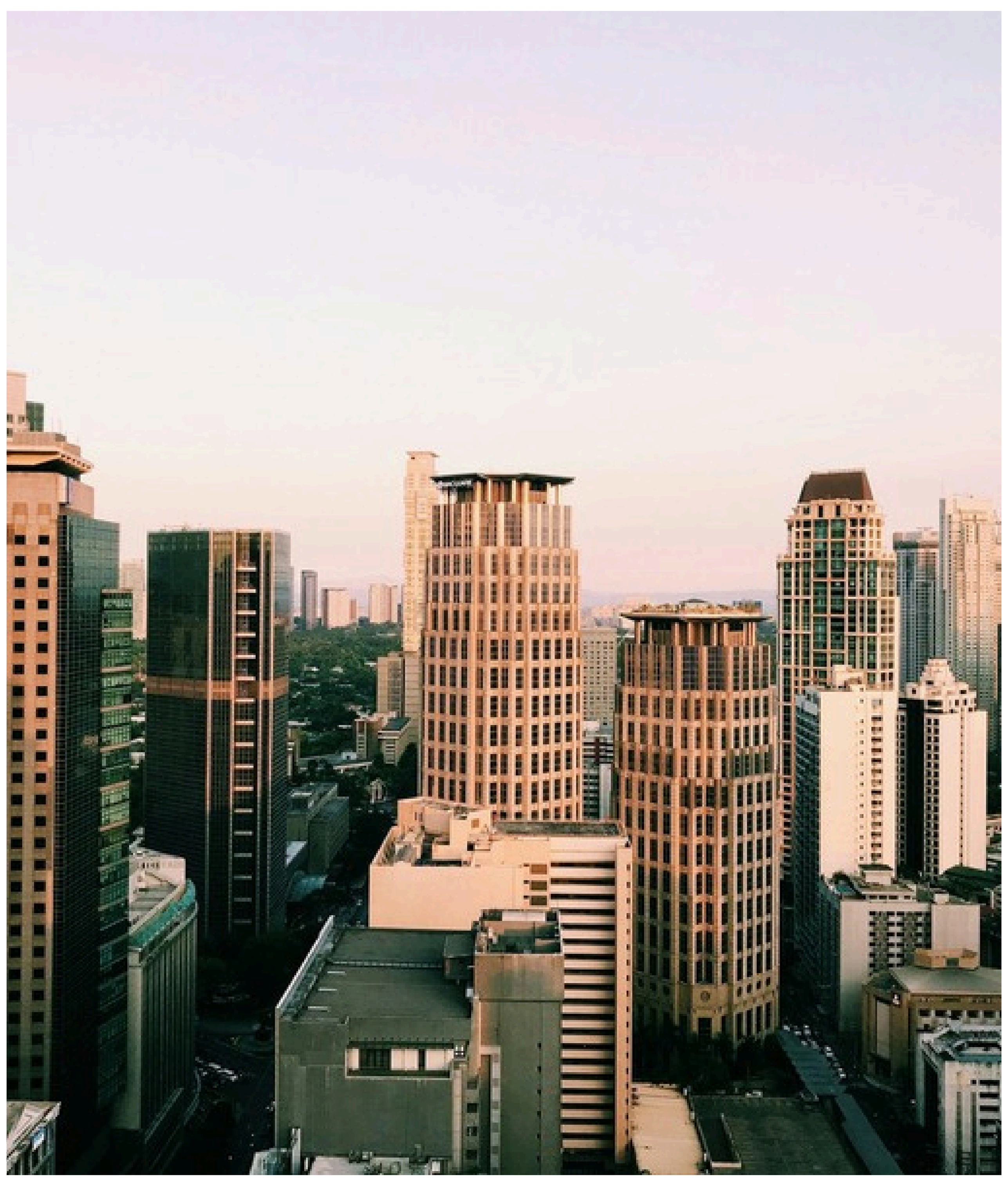
Economic Watch

eastwest

A weekly newsletter produced by EastWest Bank in collaboration with the School of Economics of the University of Asia and the Pacific

Issue 06 : March 2, 2026

THE LOCAL READ



Source: Gerard, A. (2020). High rise buildings during daytime. In Unsplash. https://unsplash.com/photos/high-rise-buildings-during-daytime-Z-pd4ztH5Oo

Business Confidence Slowly Regaining; Potential Bond Index Inclusion?

Businesses turned more optimistic in January this year. The confidence index (CI) of the Bangko Sentral ng Pilipinas' (BSP) Business Expectations Survey (BES) showed firms expecting better conditions in Q2 (CI: 33.3, prev. 23.7), though slightly less for the year-ahead (CI: 38.6, prev. 40.4), citing higher consumer demand, improved economic outlook, and stronger investor confidence. The CI measures the difference between the percentage of positive and negative responses from surveyed businesses.

Adding to optimism, Bureau of Treasury's National Treasurer Almanza announced that the Philippines may rejoin the J.P. Morgan GBI-EM index as early as March, potentially prompting up to USD 3.0-B in bond purchases. The GBI-EM guides global funds in emerging market allocations, which could boost local bond prices and reduce government borrowing costs.

Outlook: Sentiment has slowly turned less gloomy from 2025. These early optimistic signs provide some support to economic recovery prospects, which could be propelled if the national government fast-tracks its expenditures. Inclusion in the GBI-EM series can help with the latter, allowing the government to pay less in financing costs for its infrastructure projects. Overall, macroeconomic conditions remain broadly stable.

Sources: Chan, K. (2026, February 27). Business sentiment stays upbeat, BSP survey says - BusinessWorld Online. BusinessWorld Online. https://www.bworldonline.com/top-stories/2026/02/27/733301/business-sentiment-stays-upbeat-bsp-survey-says/
Lopez, D., & Serapio, M. (2026, February 24). Philippines May Draw $3 Billion If Added to JPMorgan Bond Index. Bloomberg. https://www.bloomberg.com/news/articles/2026-02-24/philippines-may-draw-3-billion-if-added-to-jpmorgan-bond-index

GLOBAL LENS

Source: Daneshzadeh, M. (2025). A group of fighter jets sitting on top of each other. In Unsplash. https://unsplash.com/photos/a-group-of-fighter-jets-sitting-on-top-of-each-other-HXbESAQn-JQ

Article Sources: Mangan, D. (2026, February 27). Trump says he'd "love not to'' attack Iran, "but sometimes you have to.'' CNBC. https://www.cnbc.com/2026/02/27/trump-iran-war.html
Mathur, R., & Chauhan, S. (2026, February 27). S&P 500, Nasdaq on track for biggest monthly drop in a year as AI worries bite. Reuters. https://www.reuters.com/business/us-stock-futures-falter-ai-jitters-nasdaq-braces-steep-monthly-fall-2026-02-27/
Reuters Staff. (2026, February 6). Europe, Asia lead global equity fund inflows as investors cut US tech exposure. Reuters. https://www.reuters.com/world/china/global-markets-flows-graphic-2026-02-06/

Oil Prices up on Middle East Conflict, Diversification Plays Underway

Global crude oil prices trekked higher last week as U.S.-Iran tensions continued and nuclear negotiations remained at a standstill. Compounding the issue, Israel and the U.S. escalated combat operations in Iran, leading to regional missile strikes and contributing to rising risks. WTI crude hovered around USD 67 per barrel as of writing.

Meanwhile, global funds continue to increase Asia exposure, looking to shift risk away from the U.S. AI bubble. The previous week's diversification efforts drew USD 9.59-B in equities inflows for Asia, and another USD 3.1-B into precious metals funds. Analysts attribute increased inflows to fiscal expansion efforts and structural reforms in the region.

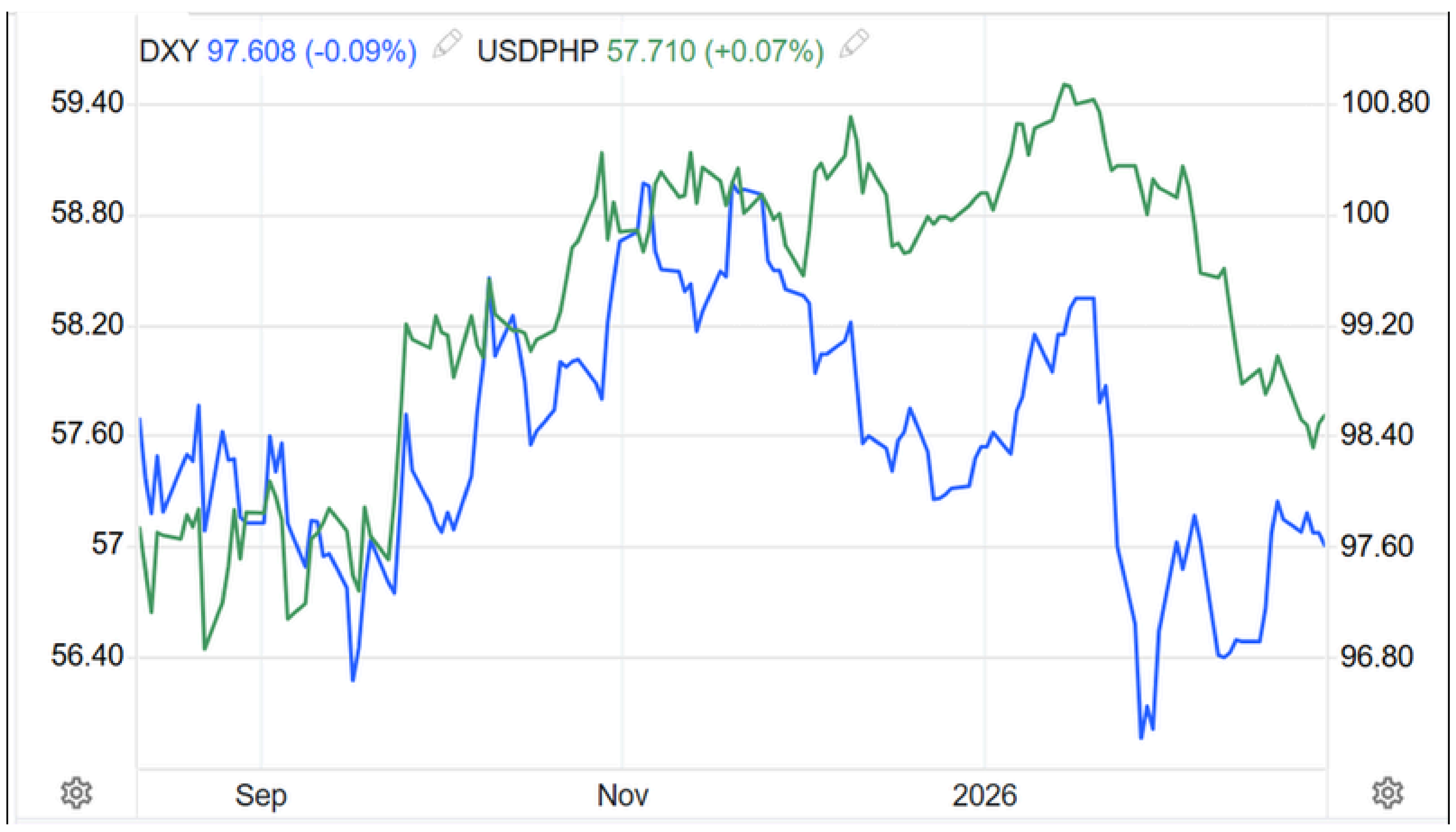
Outlook: Escalation will likely increase oil prices as tankers avoid the Strait of Hormuz. Major polls suggest oil futures could rise USD 8-10/barrel, leading to higher pump prices. The severity of risks will depend on: (1) the duration of hostilities and (2) scale of impact on Iranian oil production. Analysts previously expected prices near USD 60/barrel by 2027, but this newfound regional uncertainty could delay price easing. Emerging markets might see reduced fund inflows, with investors seeking alternatives to U.S. assets while balancing risk-off sentiment.

FOREX FOCUS

Peso-Dollar Engages with Volatility

Despite a fairly stable U.S. dollar, the peso-dollar rate (USDPHP) tumbled sharply by Tuesday to Php 57.689/USD from Php 58.122/USD at the end of the previous week as U.S. dollar bulls sold the local unit. USDPHP slipped further to Php 57.534/USD but rebounded to Php 57.657 as more dollar demand surfaced by month-end, with short-covering and very short-term indicators suggesting a bottom for FX rate. Trading surged by 57.6% to a daily average of USD1.94-B, the highest for the year.

Source: Turcios, K. (2020). Foreign money. In Unsplash. https://unsplash.com/photos/10-us-dollar-bill-s6pKmNcqov0



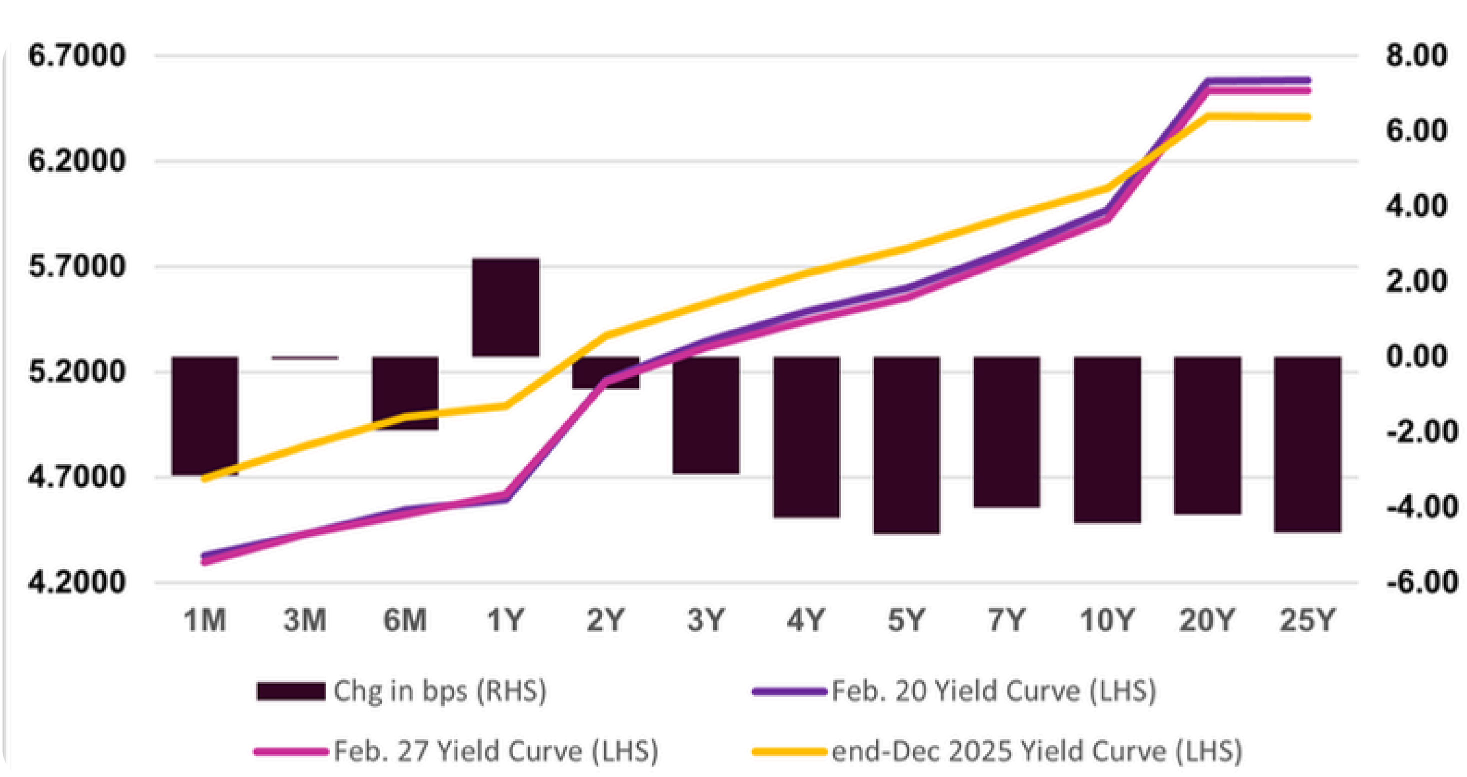
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

Outlook: USDPHP may rise during the Iran crisis since the U.S. dollar remains a safe haven, albeit less than before. However, some investors may prefer to turn to gold and commodities instead of the dollar and, thus, put a cap to the northward move of the FX rate.

THE BOND BLUEPRINT

Bonds Market Consolidates post-Jumbo Issuance

In the local bond market, the focus shifted from GS auctions to the secondary market, after the National Government (NG) hauled in Php 235.0-B in new money from the huge 10-year (10-74) issuance a week ago. Dealers swapped an additional Php 62.9-B into the issue for 5 eligible holdings which would mature in April 2026 to January 2027, more than double what we expected earlier. With the large outstanding bonds, FXTN 10-74 becomes the new 10-year benchmark. It suggests confidence that yields have reached a peak, and so holding for yields and/or trading for capital gains as interest rates fall make much sense.



Source: Bloomberg, Authors' Calculations

GS Auctions

After the jumbo ten-year 10-74 issuance a week ago, the primary market turned more tranquil. Tender-Offer-Ratio for Treasury bills (T-bills) fell to 2.561x from 4.208x in the previous three week. Despite this, yields fell most (-11.0 bps) for 91-day bills to 4.240% aligned to the new BSP policy rate, while the 364-day paper mildly slid. Likewise, the total TOR for two Treasury-bonds, 2.5Y (7-65) and 23.5-Y (25-12) averaged only 1.8898x. They produced mixed outcomes, with the 2.5Y easing by -2.8 bps to 5.295% while the 23.5Y rose by 6.7 bps to 6.577%.

GS Secondary Trading

Following the FXTN 10-74 issuance, secondary trading calmed and increased in the week ending February 27th, with average daily volume jumping 58.7% to Php 70.7-B. The trading focus shifted from 1Y-5Y to 3Y-7Y papers, while 7Y-10Y volume rose fourfold to Php 77.7-B, making up 22% of total trades. Yields declined across most maturities, except for 1-year papers, with the largest drops in the 5-, 10-, and 25-year buckets, ending at 5.5515%, 5.9238%, and 6.5354%, respectively.

Source: Trading Economics. (2026). United States Government Bond 10Y. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

Outlook: The invasion of Iran brings back risk-aversion, thus we may see an upward bias in yields. Trading will likely focus once again in the short end of the curve as to minimize possible losses. Investors may also shy away temporarily, until the dust settles, from GS auctions due to this. However, BTr may limit the upside by rejecting out-of-line bids after raking in some five times more than the usual two T-bond weekly offerings.

THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Feb 27	W/W Change
PLUS	16.1	14.5%
ICT	718.0	6.8%
URC	80.0	6.7%
SCC	28.0	5.3%
AEV	34.2	5.2%
ALI	20.9	-3.5%
AREIT	42.1	-3.2%
EMI	15.6	-2.9%
SMC	68.0	-2.1%
BPI	116.0	-1.7%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved Feb 27, 2026 from "Workspace Add-in for Excel"

PSEi Rides Wave of Optimism; Iran Conflict in Focus

With large foreign buying and within-expectations earnings outlooks, the PSEi widened gains by +2.26% w/w to 6,611.24 over the week of February 23-27. Investors rode last week's optimism wave fresh off the BSP's rate cut, the rescindment of Trump's tariffs, and resilient core earnings releases to a 52-week high. While profit taking saw a last day plunge, bargain hunters bought on the dip and still allowed the index to lock in a solid weekly gain.

The constructive buying environment saw market turnover more than double to Php 51.9-B, indicating sanguine optimism among local market participants. Net foreign buying also swelled to Php 5.1-B, with foreign participations accounting for 52% (prev. 40%) of total activity. Sectorally, Mining & Oil continued leading (+5.98% w/w) with the metals rally, while earnings sentiment buoyed Industrials (+3.01% w/w). In contrast, Financial counters saw some pullback from profit taking (-0.47% w/w).

Source: Investa. (2026). PSE:PSEI - Philippine Stock Exchange Index (PH) | Price and Chart | Investagrams. Investagrams. https://www.investagrams.com/Stock/PSE:PSEI

Outlook: The local market's buying activity may continue into the coming weeks, but tempered against newfound conflict in the Middle East encouraging short-term risk aversion. The local market may slide early in the week, especially if February inflation surprises to the upside. On the flipside, blue chip earnings releases will come into the spotlight this March, which could spur tactical allocations among sectors. Investors can look forward to robust corporate financial performance while keeping an eye out for rotation into index laggards, but gains will likely be moderated within the backdrop of the Iran conflict.

OUR OUTLOOK

1. Middle East tension will keep market volatile.
2. Risk-off on most asset classes.
3. Negative on equities, currencies and bonds.
4. Gold and other safe-haven assets will be in play.