

# Economic Watch



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

Issue 08 : March 18, 2026



## THE LOCAL READ



Source: Lapitan, A. V. (2023). Street vendor in Manila, Philippines. In Unsplash. [https://unsplash.com/photos/a-man-walking-down-a-street-holding-a-blue-umbrella-KA\\_NBG0j9kg](https://unsplash.com/photos/a-man-walking-down-a-street-holding-a-blue-umbrella-KA_NBG0j9kg)

### Unemployment Worsens, Bank Lending Slows, Gas Prices Mount

Economic weakness persisted in early 2026, as unemployment rose to 5.8% leading to 2.96-M jobless persons, the highest since June 2022. Agriculture and Services lost jobs, while Industry gained workers from robust Manufacturing hiring, supported by positive PMI data. Bank lending growth eased to +9.3% YoY, and credit to Construction fell further (-6.3% YoY), suggesting delayed infrastructure funding.

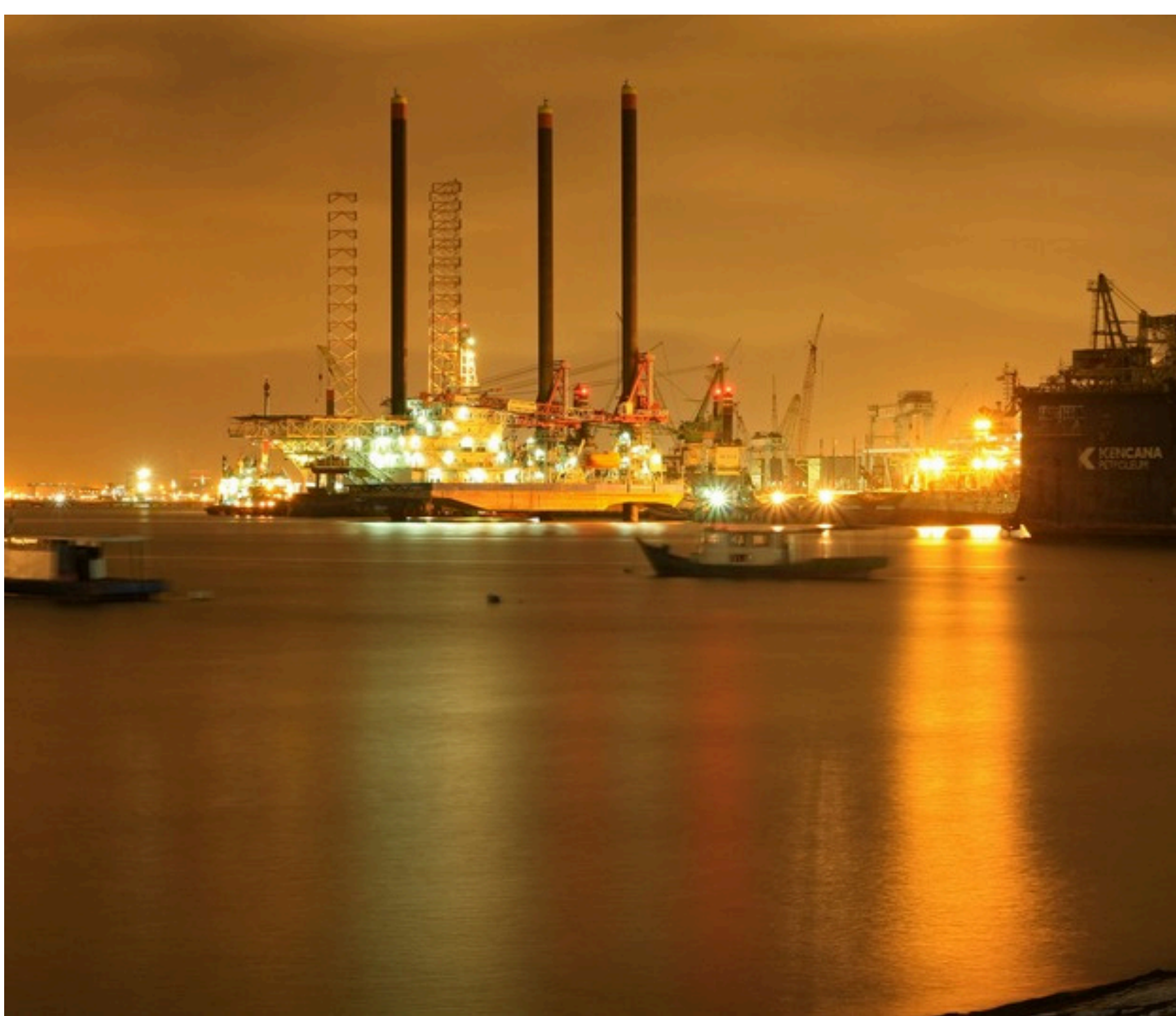
Consumers faced oil price hikes last week due to Middle East conflict, with pump prices rising sharply and further increases expected after Strait of Hormuz explosions. Ordinarily, much higher oil costs could boost inflation and slow economic growth. Policymakers are reviewing regulations and alternative fuel supplies, while President Marcos Jr. declared a bill suspending fuel excise taxes for a limited period as urgent.

**Outlook:** We expect Q1-2026 GDP growth to remain weak, closer to the subpar Q4-2025 print, due to a softer labor market, reduced government spending, and the oil price crisis impacting household consumption. March YoY inflation is projected to slightly top 4.0%, with further increases likely as fuel prices rise. For reference, full-year inflation in 2022 reached only 5.8% despite oil prices exceeding \$120/bbl following the Ukraine conflict. Policymakers are prioritizing oil market regulatory changes, which may take time to affect pump prices. The BSP rate cut for April we anticipated prior to the Iran war will no longer happen.

Sources: Bangko Sentral ng Pilipinas. (2026, March 9). Bank lending expands by 9.3% in January. Bsp.gov.ph. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemID=7B398MTType=MediaReleases>  
Lapitan, A. V. (2023). Street vendor in Manila, Philippines. In Unsplash. [https://unsplash.com/photos/a-man-walking-down-a-street-holding-a-blue-umbrella-KA\\_NBG0j9kg](https://unsplash.com/photos/a-man-walking-down-a-street-holding-a-blue-umbrella-KA_NBG0j9kg)  
Viktor, J. (2026, March 9). Double-digit pump price hike set Tuesday, March 10, 2026. GMA News Online. <https://www.gmanetwork.com/news/money/companies/979276/oil-price-hike-march-10-2026/story/>



## GLOBAL LENS



Source: Newman, T. (2020, February 1). Image of oil refinery at night across the sea. Unsplash.com; Unsplash. [https://unsplash.com/photos/city-skyline-during-night-time-iTZ\\_guCHHD](https://unsplash.com/photos/city-skyline-during-night-time-iTZ_guCHHD)

Article Sources: Erickson, B., Hafezi, P., Gebely, M., & Cornwell, A. (2026, March 14). Trump threatens to strike Iran's Kharg Island oil network if shipping lanes remain blocked. Reuters. <https://www.reuters.com/world/middle-east/trump-threatens-strike-irans-kharg-island-oil-network-if-shipping-lanes-remain-blocked-2026-03-14/>  
Petrequin, S., & Grieshaber, K. (2026, March 11). Germany, Austria pledge to release oil reserves to help curb price spikes. AP News. <https://apnews.com/article/iran-us-oil-europe-reserve-release-eaf0cf9988cd7e06f0dc2a8ee800762e>

### Oil Prices Surge Above \$100/barrel; Prices Sticky Despite IEA Supply Release



Continued conflict in the Middle East drew significant volatility in crude oil markets, with reports of oil tanker and energy infrastructure explosions along the Strait of Hormuz rocking prices. Global crude oil prices soared early in the week, with WTI futures lunging to \$118.27/bbl before tumbling to a month-low of \$78.39/bbl after President Trump initially signaled the near-end of the war.



However, oil prices picked up thereafter with conflict escalation involving neighboring countries and Iranian strikes on U.S.-owned oil tankers driving more volatility. This came even as International Energy Agency (IEA) member countries pledged to release 400 million barrels of oil to stabilize prices. Markets are now looking for more clues surrounding the severity and timeline of the war. WTI crude prices stuck to just below \$100/bbl as of writing.



**Outlook:** As the conflict in the Middle East enters week three, elevated/rising fuel prices will affect energy-importing nations, like the Philippines and market caution will likely increase. Markets are likely to remain rangebound and risk-off unless there is a major change in the conflict situation.



## FOREX FOCUS

### Peso-Dollar Touches Record Low on Safe Haven Seeking

The peso-dollar rate rose 1.25% w/w to P59.735/\$, although slower than last week's 2.3%. After a sharp increase on Monday, Tuesday saw a correction, likely due to BSP intervention and oil price changes. The rest of the week showed steady gains as the U.S. dollar (DXY) hit a 10-month high of 100.3. Uncertainty in crude oil supplies pushed USD-PHP to a record high by Friday, though BSP intervention curbed further increases. FX trading volume jumped 15.6% to \$2.165-B. Despite President Trump's reassurances about the Strait of Hormuz, crude oil prices continued rising, as did the U.S. dollar, with their correlation intensifying since March (see left chart).



Source: McArthur, J. (2020, June 2). Currencies. Unsplash.com; Unsplash. <https://unsplash.com/photos/10-and-20-us-dollar-bill-ROQzKIAdY78>



Source: Trading Economics. (2026). Crude Oil. Tradingeconomics.com. <https://tradingeconomics.com/commodity/crude-oil>



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

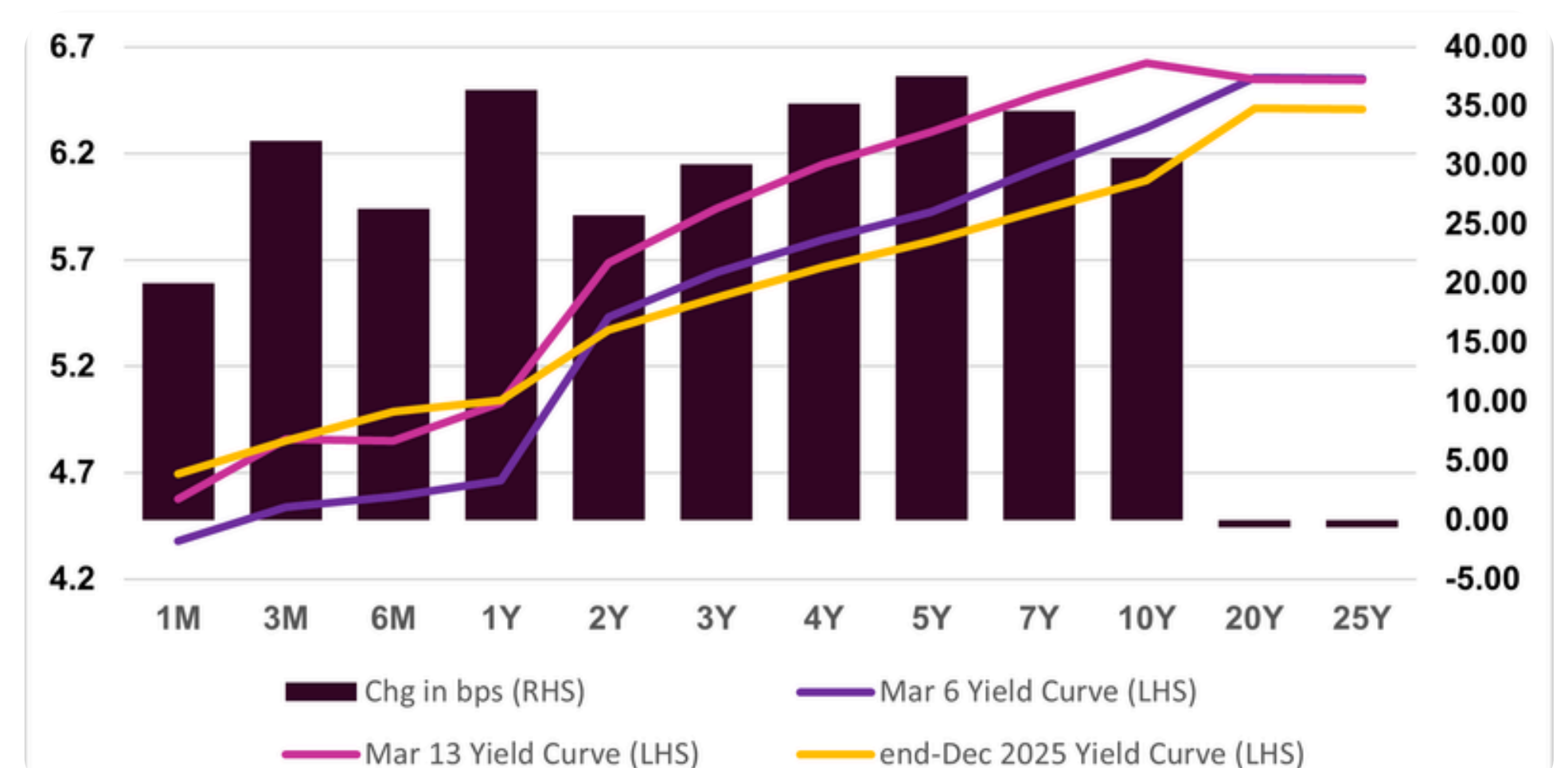
**Outlook:** We expect USD-PHP may move sideways with a downward bias. We don't think it will break the P60/\$ psychological barrier since BSP will likely intervene to prevent it. Also, we see strong resistance for crude prices (WTI) to go beyond \$100/barrel on a sustained basis since other crude oil producers will likely maximize output given the elevated oil prices. The FX rate will also have support from "safe haven" demand even from locals.



## THE BOND BLUEPRINT

### Geopolitical Uncertainty Sparks Continued Bond Market Selloff

With crude oil prices still soaring and duration of the Iran war remaining unclear, investors fled from bonds like a plague. Bond yields at both auctions and secondary market continued their ascent from the previous week. Bond investing makes little sense when yields head north due to actual or mark-to-market losses in bond values. Thus, we saw low Tender-Offer-Ratios (TOR) even for Treasury bill (T-bill) auctions and much-less-than-1 for the lone 7.4-year Treasury bond (T-bond) auction. Bureau of Treasury (BTr) also accepted bids even less than it offered for the T-bond auction. Yields in T-bill auctions rocketed by close to 40 bps, and more than 60 bps for the 7.4-year T-bond. This occurred similarly in the secondary market, except for 20-year and 25-year buckets which hardly moved.



Source: Bloomberg, Authors' Calculations

## GS Auctions

Risk aversion screamed on viewing the ultra-low TORs. For T-bill auctions, it reached only 1.168x. This cry sobbed more pitifully for the 7.4-year offering which could only have a TOR of 0.245x. Thus, yields surged by 61.4 bps for the latter to reach 6.473%. T-bills suffered a similar fate, albeit milder with 182-day T-bills fetching a yield for 4.795%, a vault of 37.8 bps, followed by the 36.6 bps upturn for 91-day T-bills which came at 4.677%.

## GS Secondary Trading

Investor de-risking led to a sharp -31.4% drop in total GS trading volume to P208.0-B over March 9-13. Trading concentrated on short-term (<3-year) bonds, which made up 67.8% of trades, up from 47.5% previously, while 10-year bonds fell to 11.5% of activity. Investors likely preferred bank time deposits (or BSP for banks) which don't require mark-to-market valuations. Bond yields saw significant hikes for 3Y (+30.1 bps) to 10Y (+37.6 bps, highest since April 30, 2024). Short-term yields increased by +26.4 bps (6M) and +36.4 bps (1Y), ending at 4.8516% and 5.0297%, a 2-month high.



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

**Outlook:** Investing in bonds will remain muted, given the global and local uncertainties brought about by the Iran war. Yields will tend to move sideways, with slightly less downside for the shorter end of the curve. BTr may continue to reject GS auction bids which it may deem "too high" since its jumbo 10-74 offering in February exceeded a full month of T-bill and T-bond auctions by 62.5%. Besides, BTr usually expects high tax collections in April with the "income tax deadline".



## THE EQUITY PLAY

### Top Five Index Winners & Losers

Stock	Close as of Mar 13	W/W Change
SCC	30.0	7.0%
PLUS	19.1	5.2%
PGOLD	39.8	4.9%
ACEN	2.6	3.5%
DMC	9.8	1.7%
BPI	100.0	-8.3%
AEV	30.5	-7.0%
LTG	14.2	-6.8%
SM	637.0	-6.3%
ALI	18.9	-6.2%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved Mar 13, 2026 from "Workspace Add-in for Excel"

### PSEi Tumbles on Middle East War

The ongoing war in the Middle East sent the PSEi lower by -4.1% w/w (week-on-week) to 6,058.9 over the week of March 9-13. The main index briefly slipped below 6,000 as investors sold off positions early on after the surge in crude oil prices to above-\$100/bbl, with selective bargain hunting inducing technical rebounds and mild movements thereafter. However, the market traded downwards after the mid-week, as investors stayed defensive while monitoring Middle East developments, economic news, and a weaker peso.

The market selloff saw turnover increase by +20.3% w/w to P48.8-B, and safe-haven seeking pushed foreigners to net sell P6.4-B worth of stocks, nearly six times bigger than last week. All sectors went red once more, with the Industrial sector least harmed (-1.22% w/w) while Property counters (-4.91% w/w) bled the most. Market breadth still soured, with 66 gainers to 179 losers for the week.



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

**Outlook:** We expect the local market to trade within 6,000-6,300 with a slight downside bias due to the ongoing conflict. Bargain hunting may occur in Holdings and Property counters as corporate expansions continue and valuations stay attractive. Psychologically, higher pump prices will likely drag market sentiment as inflation fears feel more immediate and erode consumer purchasing power. The market is trading at valuations similar to the beginning of the flood control scandal (P/E around 10x), which long-term investors can buy into.

## OUR OUTLOOK

- 1 Financial market may remain weak
- 2 Equities and bonds may continue to trade with a downward bias
- 3 Sentiment will be driven by Middle East development
- 4 Expect more foreign outflow in the equities market

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Tell us what you think! What was your favorite part, and what would you like to see next week?