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 01 : January 26, 2026

CEO'S TAKE: Setting the Course

Welcome to the inaugural edition of **E**conomic **W**atch, a new weekly newsletter from EastWest in partnership with the UA&P School of Economics.

In a rapidly shifting landscape, a clear perspective is essential. This collaboration merges academic rigor with practical market expertise to deliver the insights you need for smarter financial decisions. By bridging the gap between theoretical research and everyday banking, we aim to provide you with a more comprehensive view of the local and global economy.

We are proud to open the year with this new initiative, reflecting our commitment to further support you in your financial journey.

Economic Watch is designed to help you navigate market volatility through data-driven outlooks. Each week, our expert team will provide focused analysis on key drivers such as inflation, interest rates, and global geopolitical shifts. This newsletter complements our suite of personalized banking services geared towards making banking easier.

This first edition is just the beginning. We are committed to building this into an essential resource for you throughout the year and beyond. We look forward to sharing our next deep dive with you soon. Happy reading!

THE LOCAL READ

Source: Photo by Frederick Warren on Unsplash

2025 Balance of Payments Deficit at $5.7-B, Dollar Reserves Hit Year-High

The Philippines ended 2025 with a $5.7-B balance of payments (BOP) deficit, meaning more dollars left the country than came in. While a turnaround from the $609 million surplus in 2024, the deficit was still less than the $6.2-B shortfall the Bangko Sentral ng Pilipinas (BSP) projected. The main reasons include: weaker foreign investments, more money leaving local financial markets, and a continued trade deficit. With a BOP deficit, the peso usually weakens against the dollar.

Meanwhile, Gross International Reserves (GIR) hit $110.8-B at the end of 2025, a record high on a yearly basis. It suggests that the BSP has sufficient dollars reserved for import needs, foreign debt servicing, and forex volatility management.

For 2026, the BSP projects the BOP deficit to widen to $5.9-B while GIR to reach $110.0-B. While the BOP deficit is expected to become larger, the BSP's ample foreign reserves may be used to keep economic conditions broadly stable.

Outlook: This week's key economic data releases include Q4-2025 GDP preliminary estimates (Thursday, 29th) and BSP's forecast for January inflation. We expect a 4.6% Q4 GDP expansion, a bit faster that 4.0% in Q3, but not sufficient for full year GDP growth to exceed 5.0%. We think the BSP median inflation forecast will fall much below December's 1.8% YoY print.

GLOBAL LENS

Source: Getty Images, BBC

US-Greenland Threats Rattle Markets, Fed Meeting in Focus

- Markets fluctuated amid President Trump's threats to acquire Greenland and impose new EU tariffs, with losses pared after the rhetoric was reversed. U.S. markets posted mildly lower weekly closes.
- Geopolitical tensions led investors to safe-haven assets, pushing gold to a record $4,980/oz and silver above $100/oz for the first time.
- **Outlook:** Market players will favor volatility until the U.S. Federal Reserve's January 27-28 policy meeting, with market polls largely anticipating a rate hold. Fed policymakers will wait for clearer signals on the impact of previous rate cuts on the world's largest economy. But we should remember that global economic growth prospects remain feeble (e.g., IMF projects 3.0% GDP growth from 3.1% in 2025).

FOREX FOCUS

USDPHP Recovers as U.S. Dollar Weakens

After reaching an all-time high of Php 59.497/$1 on Thursday, January 14, 2026, the peso-dollar rate trended downward in the week of January 19-23. To be sure, its moves seem to parallel the softness of the U,S, dollar, but we think it got a nudge from BSP early Monday, 19th to set the local tone. It did rebound to an elevated Php 59.209 on the 21st with a technical correction, only to continue its fall to Php 59.063 by Friday, 23rd, in tandem with the U.S. dollar's sharp drop. Less corporate and individual demand and short-covering contributed to the trend.

The technical indicators show the actual rate below the 20-day moving average (MA) but much above the 200-day MA. The relative strength index is close to 50, or mid-way between overbought and oversold thresholds. We should remember that it failed to breach the Php 59.00 support by end of the week.

Source: Unsplash

Source: Trading Economics

Outlook: USDPHP will likely remain in a tight range but with a mild downward bias as end-of-the month dollar demand usually eases, and as profit-taking may also ensue. The wait-and-see attitude towards policy rate moves by the Fed and BSP would also temper risk-taking. Fundamentally, a tepid PH GDP print for Q4 would tend to weaken the peso, and BSP's likely policy rate cut in February would keep the FX rate elevated.

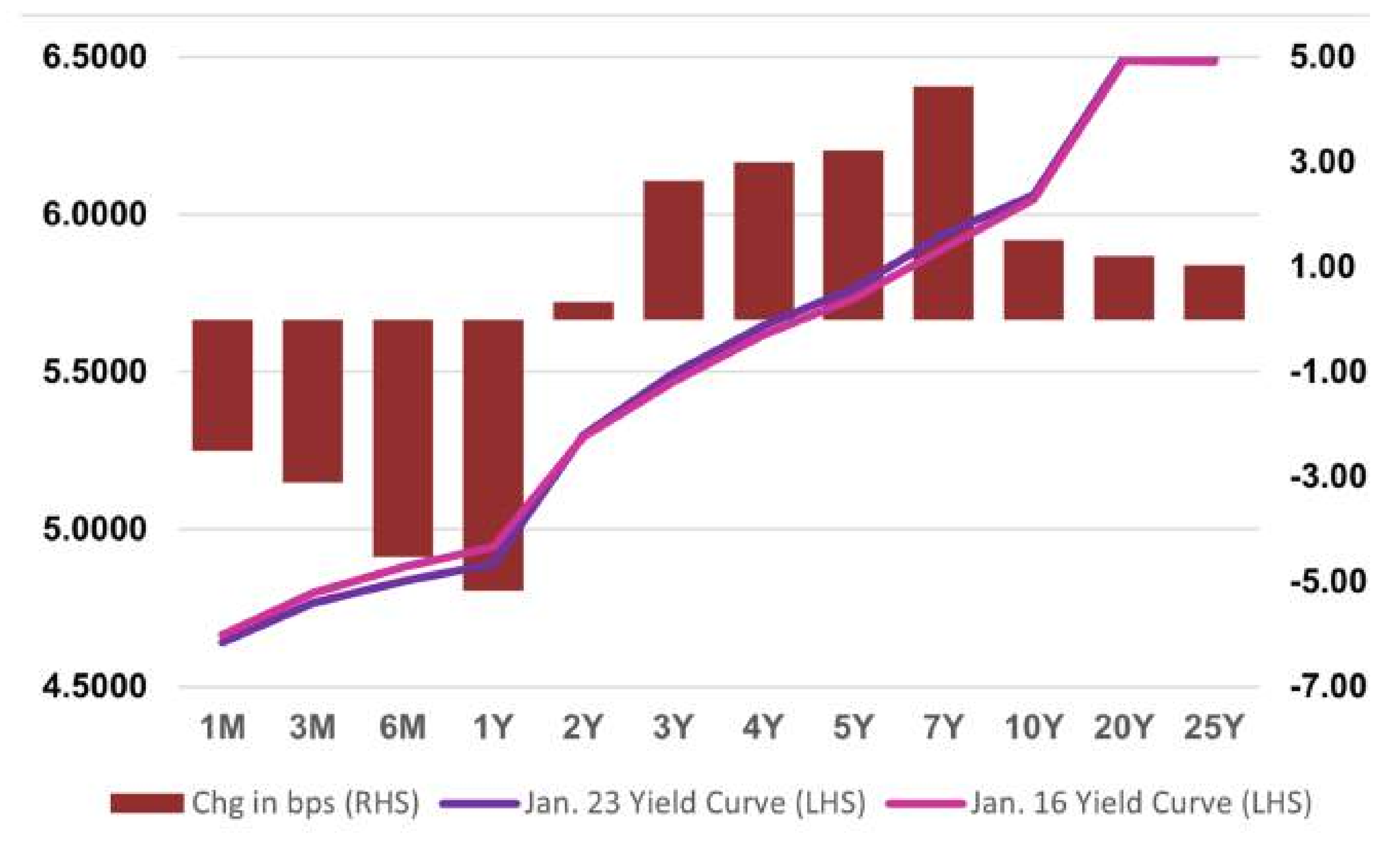
THE BOND BLUEPRINT

Huge Volumes, Mild Movements

During the week of Jan 19-23, we saw huge liquidity in GS auctions and in secondary markets, also reflecting mild risk aversion as seen in greater interest in short-dated papers in both markets.

Tender-Offer-Ratios (TOR) in auctions for T-bills reached 4.689x while for 7-year, T- bonds issues only hit a 1.384x TOR. The TOR is the ratio between the volume of bids to the offer volumes, measuring the relative demand for a particular bond issue.

The secondary GS market saw some volatility due to global uncertainties (e.g., Greenland, selloff of Japanese bonds) and mid-week spike in peso-dollar rate.



Source: PDS, BVAL Reference Rates, Authors' Calculations

GS Auctions

Yields moved modestly in GS auctions, easing by -3.1 bps to 4.731% (for 91-day T-bills) to 5.16 bps (364-day). On other hand, they rose for longer tenors with 7-year showing the biggest uptick of 4.45 bps ending at 4.916%), while the 10-year benchmark only inched up by 1.52 bps.

GS Secondary Trading

In the GS secondary market, trading volume remained robust to total P358.17-B, higher by some 18.4% than a week ago, with 1-year to 7-year space accounting for 60.5% of total volume. Like in auctions, yields slightly dropped for 3-mos and 1-year papers (3.11 bps and 5.16 bps); to 4.7664% and 4.8912%, respectively. For longer tenors, 7-year yields rose gingerly to 5.9368% and by +1.52 bps to 6.0635% for the 10-year.

Source: Trading Economics

Outlook: We expect unexciting movements in bond yields in the week of January 26, as the markets await key February decision of the Fed (likely unchanged) and clearer signs for BSP's next move. We should see some profit-taking in the last week of January with more action in the 3-month to 5-year space, as we think holders of 10-year papers would just wait it out. Nonetheless, since we expect January inflation to fall below 1.5%, and only modestly better Q4 GDP gain, we think the holders of the longer tenors will be amply rewarded if BSP does cut rates by 25 bps, as we expect they will.

THE EQUITY PLAY

Stock	Close as of Jan. 23	W/W Change
JGS	27.8	6.7%
GTCAP	659.0	3.3%
SCC	31.1	2.0%
ICT	623.0	1.9%
DMC	10.8	1.5%
BPI	116.0	-6.9%
ALI	22.1	-6.4%
PLUS	14.8	-6.3%
SM	705.0	-5.0%
JFC	203.0	-4.9%

Source: LSEG Refinitiv

PSEi Slides 2% on Tensions and Profit Taking

The PSEi fell 2.03% to 6,333.26 amid geopolitical tensions, profit taking, and anticipation of the MSCI rebalancing and U.S. Fed meeting. The market dropped early in the week due to international threats, briefly recovered mid-week, but ended down as investors, especially foreigners, continued to take profits.

Net foreign buying for the week declined to P235.8-M (prev. P3.9-B), with foreign funds positioning ahead of the U.S. Fed decision due on January 27-28th, compounded by a looming MSCI rebalancing on February 10th. Profit taking was broad, with the Financial (-3.54% w/w) and Property (-2.95% w/w) sectors hit the most. Meanwhile, the record precious metals rally spurred the Mining & Oil sector (+5.21% w/w).

Source: Investa, TradingView

Outlook: We see the market trading sideways with an upside bias this week as investors will likely go bargain hunting but scrutinize the Fed decision with any changes to the wording of its statements for clues about future U.S. monetary policy, along with accompanying movements in the peso-dollar rate. Nonetheless, PSEi fundamentally has kept attractive P/E and Dividend Yields compared to their averages in the past decade.

OUR OUTLOOK

1. Expect market to be defensive
2. Sentiment is skewed towards macro data releases - GDP and inflation expectations
3. Volatility will keep gold prices moving higher
4. PSEi will be range-bound, 6200 to 6500 and flattish movement on bonds on the bellies