

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 03 : February 10, 2026



THE LOCAL READ



Source: Castor, A. (2021). cars on road near high rise buildings during daytime. In Unsplash. <https://unsplash.com/photos/cars-on-road-near-high-rise-buildings-during-daytime-daCzRDXfWM>

Inflation Accelerates to 2.0% in January, December Unemployment Keeps Steady, and Factory Activity Encourages

Key indicators on economic conditions arrived last week, with investors seeing slightly higher inflation in January, a sanguine Manufacturing PMI reading, and a recovery in VoPI. Inflation in the first month of 2026 rose to 2.0% (prev. 1.8%), as price growth in the housing and utilities index accelerated to 3.3%. While hotter than expected, this is the first time in 11 months that inflation came within the low end of the Bangko Sentral ng Pilipinas' target 2.0-4.0% range.

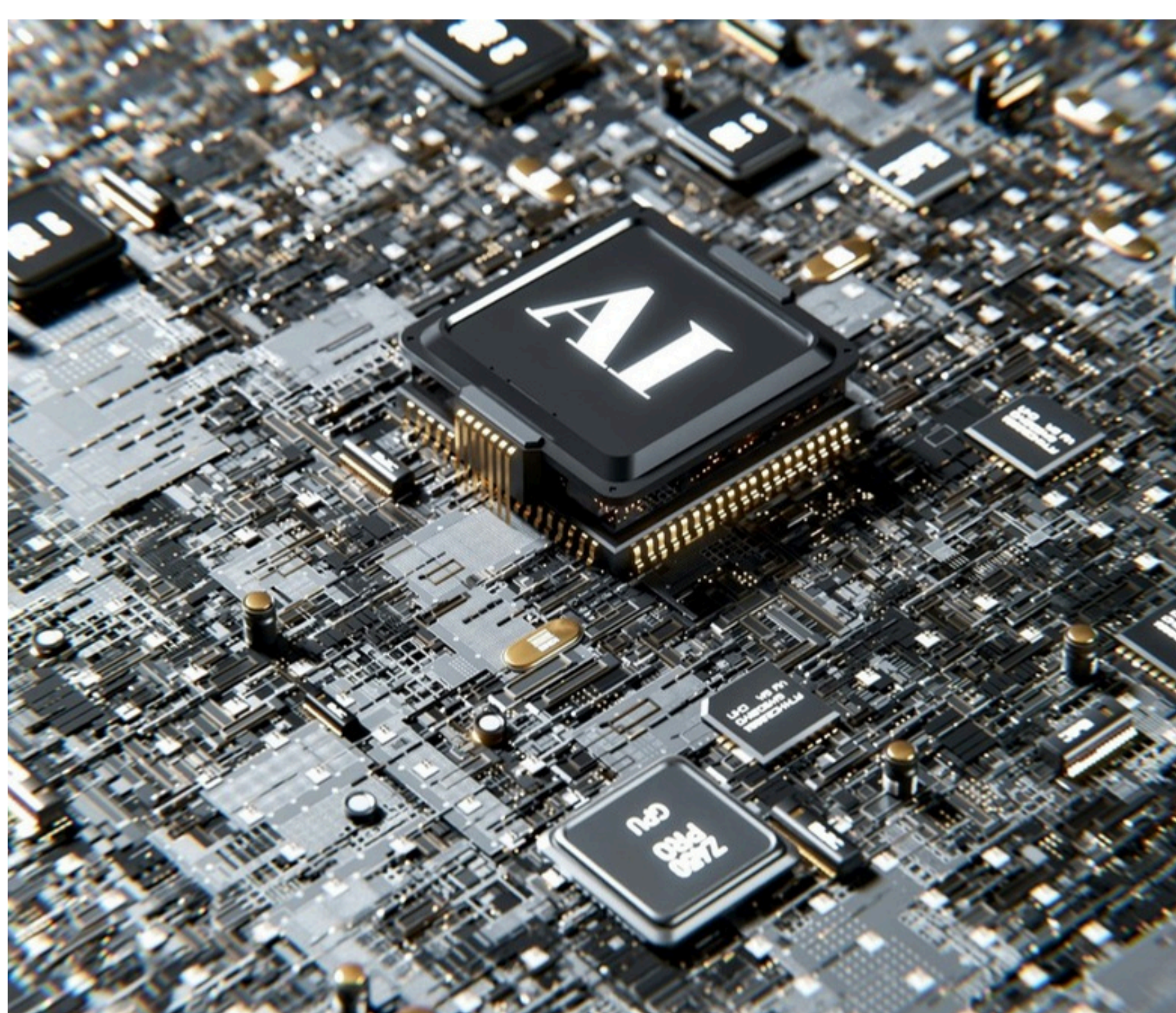
The unemployment rate in December 2025 stayed at 4.4%, up from 3.1% in December 2024, as weak Q4 GDP growth (3.0%) limited holiday job gains. However, industrial indicators were positive: the S&P Manufacturing PMI reached 52.9, its highest since April 2025, and the VoPI recorded a 1.0% annual increase after a -1.1% drop the previous month.

Outlook: Recent headline indicators suggest broadly stable economic conditions into 2026. This sets the stage for possible economic recovery this year. With most important local releases out already, markets will look at international news items for more immediate cues but will await more information about the Philippine economy heading into Q1.

Acabal, I. (2026, February 6). Factory output picks up in December. BusinessWorld Online. <https://www.bworldonline.com/top-stories/2026/02/06/728947/factory-output-picks-up-in-december/?amp>
Chan, K. (2026, February 5). Philippine inflation accelerates to 2% in January. BusinessWorld Online. <https://www.bworldonline.com/top-stories/2026/02/06/728808/philippine-inflation-accelerates-to-2-in-january/>
Philippine Statistics Authority. (2026, February 6). Number of unemployed persons in December 2025 increased to 2.26 million Filipinos aged 15 years and over. PSA. <https://psa.gov.ph/content/number-unemployed-persons-december-2025-increased-226-million-filipinos-aged-15-years-and-over>



GLOBAL LENS



Source: Omilae, I. (2023). A computer chip with the letter a on top of it. In Unsplash. <https://unsplash.com/photos/a-computer-chip-with-the-letter-a-on-top-of-it-eGGFZ5X2LnA>

Tech and Bitcoin Selloff Grip Markets



Big tech stocks lost USD 1.0-T in valuations, as markets turned bearish following outsized capex plans by AI companies. This comes as investors worry about a worsening AI bubble, with tech darlings pouring in more investments into tech buildouts with uncertain return horizons.



Taking cues from the downbeat tech mood, Bitcoin plunged below USD 1,000 last week with sentiment in AI companies faltering and gold, silver prices seeing volatile movements. While it recovered by end of week, analysts warn it could be part of a larger downtrend.



Outlook: Subdued optimism in big tech and Bitcoin spilled over into regional markets, with Asian stocks seeing slightly red or sideways finishes. We think market participants will exercise more caution over the coming week, reassessing investment strategies in response to recent volatility and cooling enthusiasm for big tech, AI stocks.

Source: Napolitano, L., & Kharpal, A. (2026, February 6). Bitcoin rebounds back above \$70,000 after nearly breaking below \$60,000 a day ago. CNBC. <https://www.cnbc.com/2026/02/06/bitcoin-price-today-60000-in-focus.html>
Nicol-Schwarz, K. (2026, February 6). Amazon leads Big Tech's \$1 trillion wipeout as AI bubble fears ignite sell-off. CNBC. <https://www.cnbc.com/2026/02/06/ai-sell-off-stocks-amazon-oracle.html>



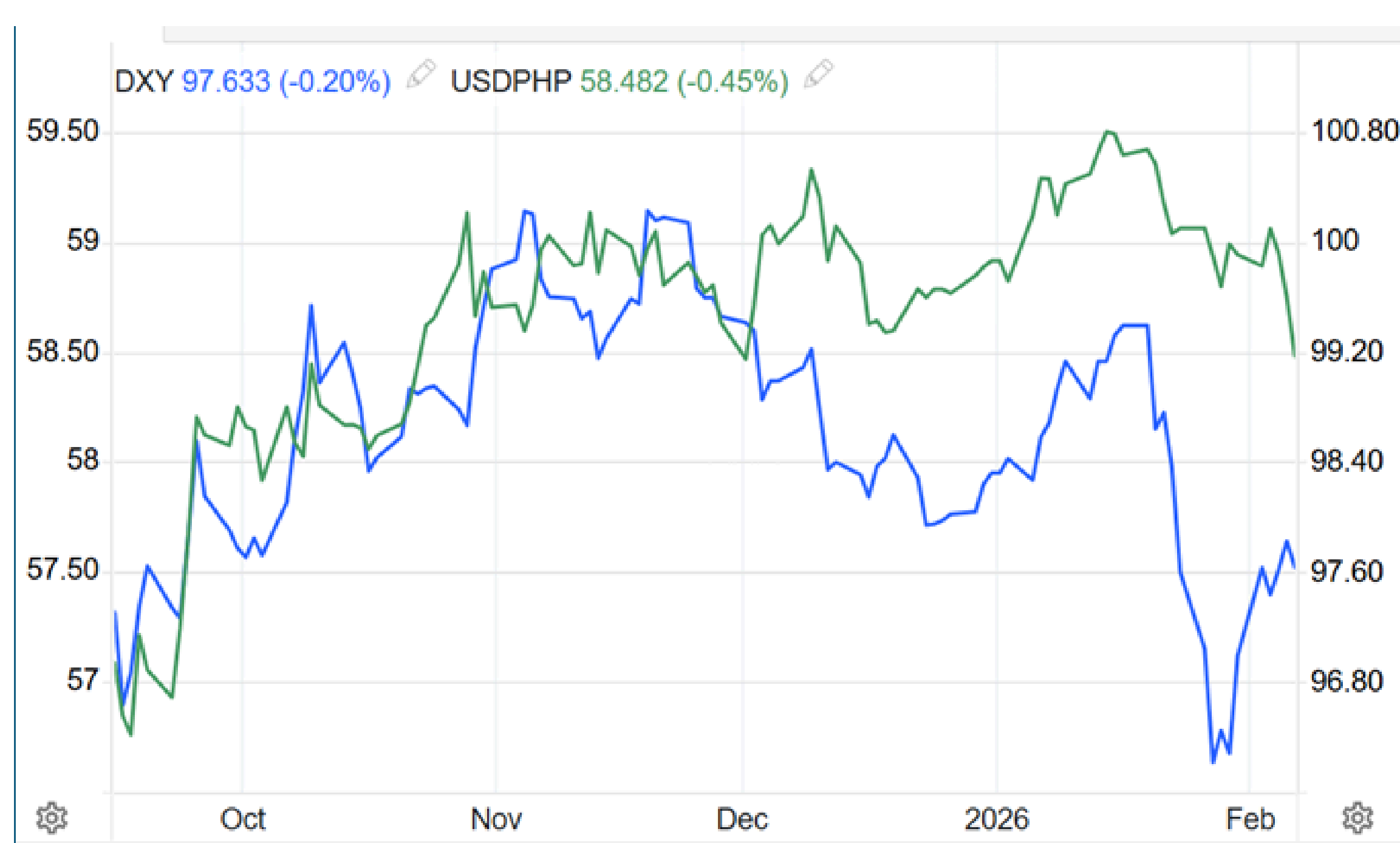
FOREX FOCUS

Tight Peso-Dollar Trading Ahead of BSP Meeting

Weekly trading volume rose gingerly by 1.9% to USD 6.13-B. Despite the recovery of the U.S. dollar from the previous week's selloff, the peso-dollar rate trended downward with likely BSP intervention. The latter seemed obvious on Wednesday, 4th, since after an initial rise in the FX rate, we saw a very tight trading range of $\pm P0.04/\$$ throughout the day. Then when USDPHP started to gain on Friday, we again saw likely intervention with a similar $\pm P0.04/\$$ range until the end of trading day and week. Thus, the BAP FX rate closed at Php 58.565/ $\$$, a 0.007% appreciation from the end of the previous week.



Source: Leung, J. (2020, February 1). 10 and one us dollar bill. Unsplash.com. <https://unsplash.com/photos/10-and-one-10-us-dollar-bill-SAYzXuS103M>



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

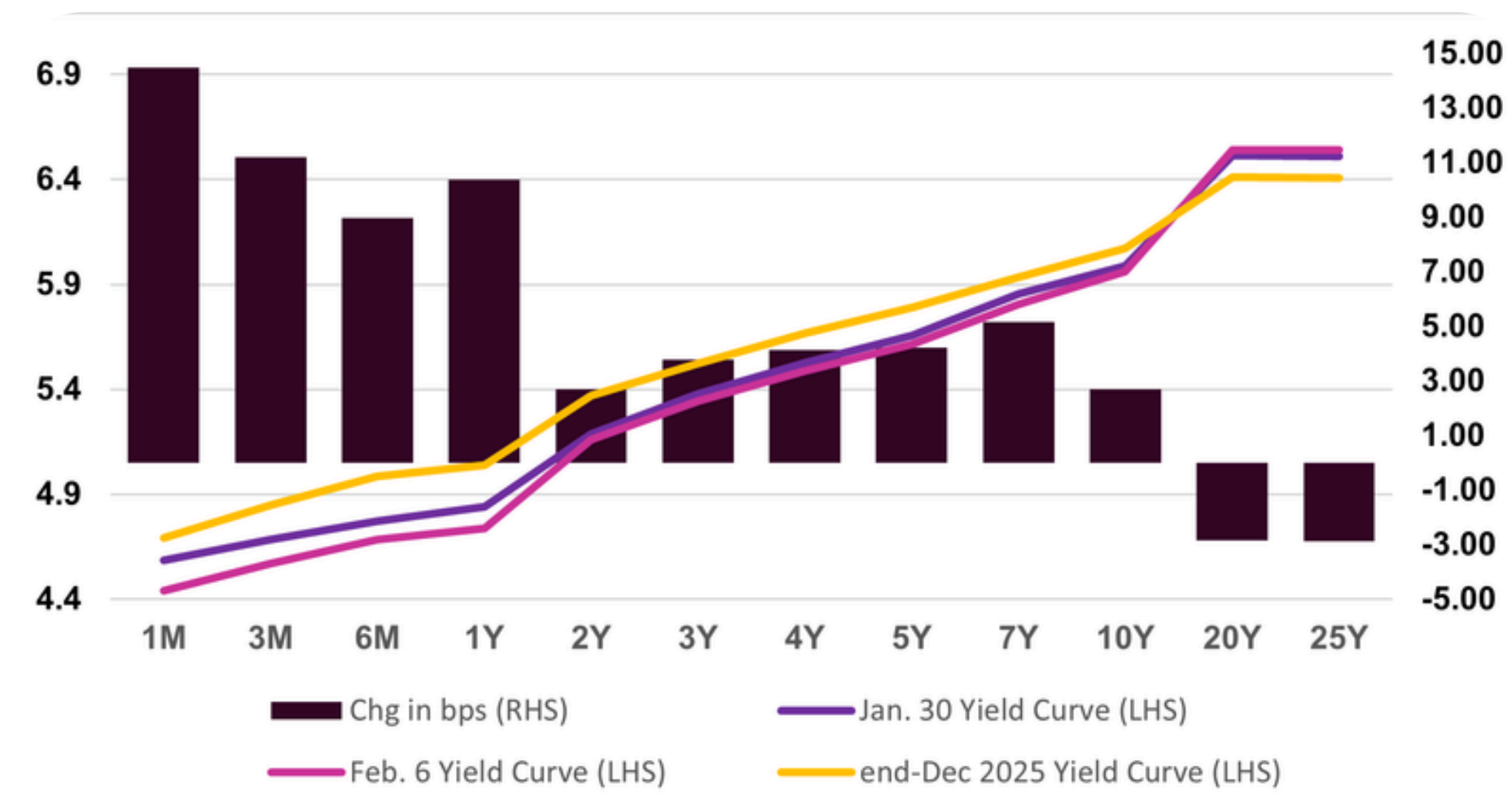
Outlook: It appears that BSP wants to keep the market guessing on its moves after the widely expected policy rate cut of 25 bps in its February 19th meeting. We still expect a tight trading range, albeit with a slight downward bias, in the runup before the BSP meeting. BSP would certainly have given up some U.S. dollars in its Gross International Reserves (GIR) as it intervenes, but it has the rest of February (from its meeting) to recover at least part of it. Thus, the peso-dollar will again experience a depreciation bias after the rate cut.



THE BOND BLUEPRINT

Yields Slide on Disappointing Q4 GDP Print

The local bond market saw increased investor demand for T-bills and T-bonds, pushing Tender-Offer Ratios higher and yields lower, especially for shorter maturities. Overall trading volume declined moderately, influenced by January's inflation data and cautious market sentiment ahead of the anticipated BSP policy rate decision.



Source: Bloomberg, Authors' Calculations

GS Auctions

With rising expectations for a February 19th BSP rate cut, demand surged while yields tumbled in both T-bill and T-bond auctions. The Tender-Offer-Ratio (TOR) for T-bills soared to 4.657x from 3.16x MoM, while surging to 5.414x from 2.604x for T-bonds (5-year, FXTN 07-71). Yields for 364-day T-bills slumped the most (-13.8 bps) to 4.689%, with the least for 182-day T-bills at -7.9 bps to 4.672%.

GS Secondary Trading

Trading volume declined by -4.5% to P469.2-B in the week. However, this resulted mainly from Friday's -65.1% plunge from Tuesday's high after January's higher-than-expected inflation rate. The biggest fall in yields occurred in 1-year or less space with 3-month papers down by -11.2 bps to 4.5705, moving closer to BSP's policy rate, followed by 1-year maturities which slipped by -10.38 bps to 4.7374%. Nonetheless, longer tenors also slid but more mildly with the 7-year yields down by -5.17 bps to 5.8032%, while investors seemed more cautious for the 10-year benchmark which slid by only -2.7 bps to 5.9598%.



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

Outlook: Yields will likely continue their downward trend with larger magnitudes at the 5-year or less space as the BSP meeting of February 19 nears. Investors in longer tenors will probably remain cautious, not only because of volatile financial markets, but also because of the size of movements in the peso-dollar rate. In the long run, the latter has bearing on 10-year benchmark yields. Nonetheless, the inflation has a larger impact on those yields, and we still expect low headline inflation for H1.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Feb 6	W/W Change
PLUS	14.8	12.7%
GLO	1,718.0	9.4%
MONDE	6.1	7.2%
AC	539.5	6.6%
ACEN	2.8	5.7%
CNVRG	13.5	-12.9%
BPI	117.1	-5.6%
GTCAP	640.0	-4.5%
SMC	76.9	-4.0%
JGS	26.8	-3.6%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved Feb 6, 2026 from "Workspace Add-in for Excel"

PSEi Gains a Tad on Encouraging Indicators

With the recent economic data releases, investors found slightly more opportunities to let the PSEi gain by +0.98% w/w (week-on-week) to 6,390.91. The index gained early on with a mild inflation increase and sanguine PMI, though it corrected by mid-week as bearish sentiment from Wall Street and sideways unemployment figures put investors in defensive mode. Bargain hunters also picked up counters amid the early stages of corporate earnings season.

Weekly market turnover slid by -29.9% w/w to just shy of Php 36.0-B, and average daily turnover slimming to just Php 7.2-B. Foreign participation normalized, with net foreign buying plunging by -84.5% w/w to Php 1.4-B after January's foreign bloat. Sectorally, Services (+2.7% w/w) took the lead, with Holdings counters trailing behind (+1.0% w/w). In contrast, the Mining & Oil sector corrected sharply (-10.3% w/w) after precious metals prices corrected.



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 stock market may continue trading sideways this week with some room to the upside. Investors will continue to take defensive cues from Wall Street but could pick up counters with optimistic earnings outlooks this reporting season. Besides, the peso recently closed below the Php 59.0/dollar mark which usually improves market sentiment. We still think a rate cut will happen on BSP's Feb 19th meeting, which may imply subdued trading conviction in the days leading to the Monetary Board's decision.

OUR OUTLOOK

- 1 Local equities markets are expected to remain defensive this week. The focus will be on earnings and MSCPI quarterly re-balancing.
- 2 Value and defensive stocks will continue to perform, outpacing growth stocks. Expect profit-taking and volatility in AI-related stocks.
- 3 Interest Rates: Monetary policy decisions and expectations of rate cuts will drive investor's sentiment, keeping bonds flat.
- 4 Upcoming economic indicators and earnings results as well as geopolitical issues in the mid-east will keep market tentative.

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