



THE LOCAL READ



Source: Flickr. (2019). Bangko Sentral ng Pilipinas. In Flickr. <https://www.flickr.com/photos/charles79/>

BSP Cuts Rates by 25 bps, Space Depends on Confidence

Facing weaker growth prospects, the Bangko Sentral ng Pilipinas (BSP) cut its policy rate by 25.0-bps to 4.25% in its February 19th meeting, within market expectations. This is the sixth straight meeting of rate cuts, following a growth slowdown from the fallout of the flood control scandal. Rate cuts usually lower borrowing costs for everyone in the economy, signaling possible economic expansion.

The BSP shifted its tone from “nearing the end of its easing cycle” to an uncertain outlook regarding future monetary policy actions. BSP Governor Remolona mentioned that future policy would depend on how quickly confidence in the Philippine economy may return.

Outlook: We think another 25-bps rate cut is likely for 2026, aligned with analysts’ expectations and multilateral organizations. This could materialize by BSP’s April meeting if signs of weak domestic demand continue into Q1-2026 (stubborn unemployment, benign inflation). Rate-sensitive sectors (consumer credit, residential property, motor vehicles, equipment leasing, etc.) will likely cheer the easing act. Despite the 225-bps of cuts so far by H2-2026 from its peak of 6.5%, interest rates likely have not dropped below the threshold for affordability of those above items.

Sources: Chan, K. (2026, February 19). BSP cuts key rate amid growth slump - BusinessWorld Online. BusinessWorld Online. <https://www.bworldonline.com/top-stories/2026/02/20/731637/bsp-cuts-key-rate-amid-growth-slump/>



GLOBAL LENS



Source: Nori, S. (2022). Aerial view of city buildings during daytime. In Unsplash. <https://unsplash.com/photos/aerial-view-of-city-buildings-during-daytime-rG41gp52FKl>

U.S-Iran Jitters and Tariff Battles Heat Up

 Last week, global markets balanced concerns over possible military action against Iran with positive AI sentiment and the Supreme Court’s reversal of U.S. tariffs. Oil traders reacted to potential military moves as President Trump weighed strikes to influence Iran’s nuclear program negotiations.

 Participants capitalized on the AI dip after Meta and NVIDIA’s partnership, leading to higher equity and bond fund inflows, notably Php 10.0-B into emerging markets last week. Sentiment improved following the Supreme Court’s decision on Trump’s tariffs, though Trump later imposed a new 10% tariff on all trade partners later on.

 **Outlook:** Global markets appear to slowly recover sentiment from previous fears, mirroring positive moves in the world’s largest economy. Sanguine fund inflows will likely resume following the tariff rescindment, with more of a boost if AI heavyweight earnings beat expectations. Risks to the downside include the emergent military buildup in the Middle East, and retaliatory moves from the White House’s tariff saga.

Source: Conlon, S., & Singh, P. (2026, February 19). S&P 500 rises in volatile trading after Supreme Court knocks down Trump’s emergency tariffs. Live updates. CNBC. <https://www.cnbc.com/2026/02/19/stock-market-today-live-updates.html>
Kimball, S. (2026, February 20). Trump says he’s considering limited military strike against Iran. CNBC. <https://www.cnbc.com/2026/02/20/trump-says-hes-considering-limited-military-strike-against-iran.html>
Reuters Staff. (2026, February 20). Global equity funds attract biggest inflow in five weeks as concerns around AI ease. Reuters. <https://www.reuters.com/world/china/global-markets-flows-graphic-pix-2026-02-20/>



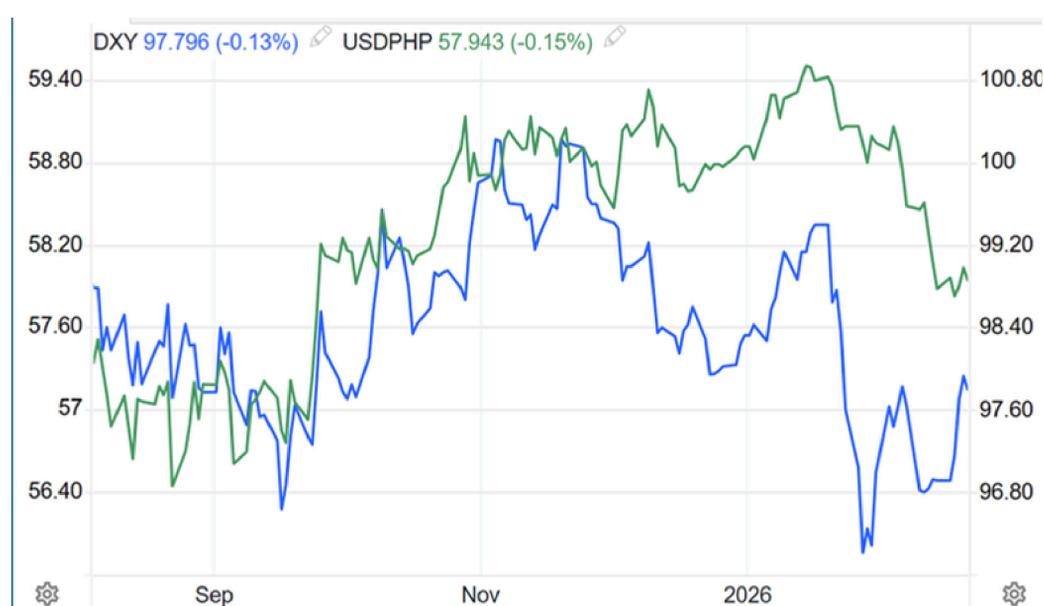
FOREX FOCUS

Peso-Dollar Makes Room for Weakening Before BSP Cut

Prior to BSP's policy rate cut on Thursday, February 19th, the peso-dollar rate went on appreciation mode to as low as Php57.76/USD in the previous day. This came simultaneously with weak trading volumes, well below the 4-week average, on Monday (-26.3%) and Wednesday (-14.1%). Trading sped up after the BSP announcement and into Friday with renewed demand. By end of week, the USDPHP settled clearly higher at P58.15/USD. We again think BSP intervened after it jumped by P0.10 in the first hours of trading, presumably to moderate any upward pressures.



Source: PiggyBank. (2022). a pile of money sitting on top of a table. In Unsplash. Unsplash. <https://unsplash.com/photos/a-pile-of-money-sitting-on-top-of-a-table-15bXOfNcqnU>



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

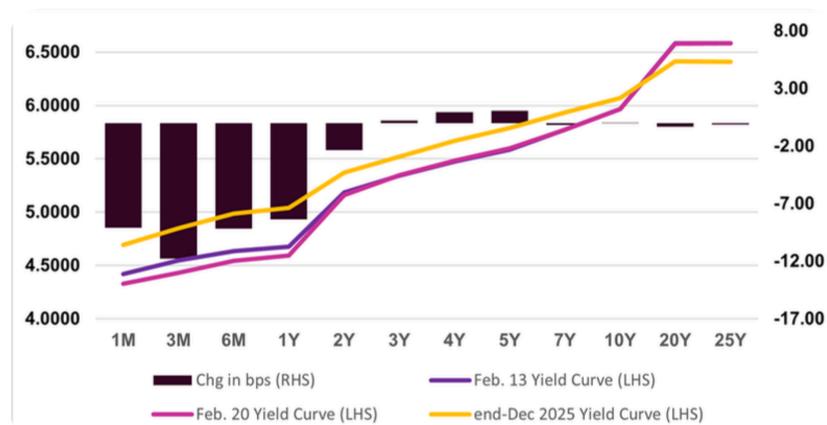
Outlook: We think this northward push will remain, especially in the light of the narrow spread between the BSP and Fed policy rates (i.e., only 50 bps, where BSP says it needs 100 bps spread to keep the FX rate steady). USDPHP should trend upward as offshore demand returns and PH trade deficits bloat déjà vu. BSP intervention and possible U.S. dollar weakness would cap highs though.



THE BOND BLUEPRINT

Bond Trading Focuses on BSP Rate Decision

The local bond market experienced a week of notable shifts, driven by investor anticipation ahead of the Bangko Sentral ng Pilipinas (BSP) policy meeting. Both the secondary government securities (GS) market and the GS auctions reflected cautious sentiment, with trading volumes dipping as participants positioned themselves around the BSP's policy rate decision. As the central bank implemented a 25-bps rate cut, immediate reactions were observed in short-term yields and auction outcomes, while longer-term bond yields showed muted responses, underscoring the market's preference for liquidity and selective positioning amid ongoing economic uncertainty.



Source: Bloomberg, Authors' Calculations

GS Auctions

T-bill auctions early in the week saw sharp yield drops, with 182-day bills down -14.5 bps to 4.433% and 364-day papers down 10.3 bps to 4.512%. The 91-day auction, influenced by anticipated BSP rate cuts, fell 14.2 bps to 4.350%, marking its lowest level since March 2023. The Bureau of Treasury accepted P235.0-B, from new 10-74 offering including TAP facilities after coupon rates were set. Holders of T-bonds and RTBs maturing between April 2026 and January 2027 swapped P20-30-B for the new offering, without introducing new funds.

GS Secondary Trading

Average daily trading dropped 32.3% as participants awaited the BSP's policy decision. Activity picked up around the February 19 announcement of a 25 bps rate cut to 4.25%, with most trades in the 3-5 year range. Long-term yields remained stable despite expectations for rates to reach 3.0% by 2027, as investors focused on the new 10-year 10-74 jumbo bond offering a 5.925% coupon. Short-term yields fell to 4.5498% (3-month) and 4.6781% (1-year).



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

Outlook: With BSP's policy rate cut and the change in its previous pronouncements that "we are near the end of the easing cycle", the yield curve will likely move down. However, the long end looks attractive for yields and capital appreciation since it has lagged in drops. Besides, the change in "tune" of the BSP, milder U.S. inflation (2.4% YoY in January) and the fall in U.S. 10-year benchmark yields should provide further incentive to local investors.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Feb 20	W/W Change
PGOLD	40.5	4.9%
ALI	21.3	3.7%
JGS	29.0	3.6%
DMC	9.5	3.3%
ICT	680.0	3.0%
ACEN	2.7	-3.6%
SCC	25.6	-2.1%
SMPH	21.0	-1.6%
LTG	15.6	-1.1%
GTCAP	646.0	-0.6%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved Feb. 20, 2026 from "Workspace Add-in for Excel"

PSEi Gains on Corporate Earnings, Rate Cut; Investors Defensive

Amid improved sentiment and constructive earnings releases, the PSEi rebounded by +1.26% w/w to 6,456.12 over the week of February 16-20. While starting on the backfoot early on, the market steadily climbed as Wall Street optimism returned and the corporate earnings season flashed encouraging performance. Banks, conglomerates, and real estate players showed promising earnings performance so far. The BSP's widely-expected February 19th rate cut may have also encouraged the last-minute market uptick.

Weekly market turnover plunged by -43.9% w/w to Php 21.3-B, reflecting a "wait-and-see" posture from investors. Net foreign buying also cleaved by -62.6% w/w to just Php 631.8-M following moderating participation, though foreign participation still accounted for 46% of total activity. Sectorally, Mining & Oil (+4.4% w/w) continued enjoying the metals rally, while early positioning among Services counters (+2.3% w/w) buoyed the sector. Financials (+2.1% w/w) also advanced on good earnings releases. Meanwhile, lone dark spot Property sector slid a tad (-0.2% 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: Thinning trading volumes tend to signal defensive posturing among market participants. Some profit taking and emergent peso depreciation could induce corrections early in the week. However, we think this will be relatively contained as more corporate earnings releases encourage selective buying. Investors may absorb some optimism in U.S. markets, but will keep a close eye on geopolitical developments.



OUR OUTLOOK

- 1 Market will focus on the US-Iran and US Tariffs.
- 2 Expect bonds to stay sideways.
- 3 PH Equities will make another attempt to break 6,500.
- 4 Bond movements will be on the 5-year to 7-year



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