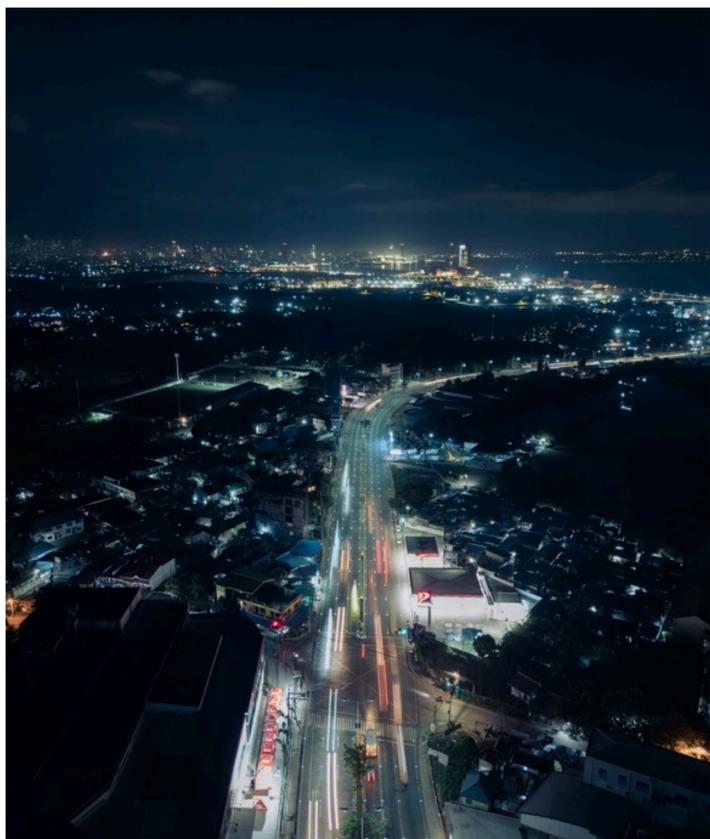




THE LOCAL READ



Source: Suarez, K. (2026, February 24). Long exposure of a busy city street at night. Unsplash.com; Unsplash. <https://unsplash.com/photos/long-exposure-of-a-busy-city-street-at-night-nvrLbpeVnJo>

Higher Pump Prices Fuel Inflation Fears; NG Turns in January Surplus; Reserves Hit Record High

Oil supply disruptions continued as the war in the Middle East entered its third week. As a result, further pump price hikes ensued, with the latest round pushing diesel prices above P100/L and gasoline around P90/L. Inflation fears thus mounted, pushing the peso-dollar rate to a record low of P60.1/\$ (see Forex Focus).

In January, the National Government reported a P165.4-B budget surplus, as tax collection grew (+0.4% YoY, P468.9-B) but spending dropped (-23.9% YoY, P303.5-B), reflecting rescheduled LGU transfers and delayed infrastructure bidding that may dampen Q1 growth. Meanwhile, the country's Gross International Reserves rose to \$113.3-B by end-February, equal to 7.5 months of imports, despite a January Balance of Payments (BoP) deficit of \$2.0-B. A sizeable BoP deficit tends to add depreciation pressure to the peso.

Outlook: Analysts are now warning of substantially higher inflation in the coming months, along with tepid Q1 GDP growth. Major damage to oil infrastructure in conflict areas and the effective closure of the Strait of Hormuz will likely keep crude prices above \$90/barrel for now. This will trickle down into local inflation as energy and transport costs increase, but the months ahead will also see second-round effects (e.g. higher food, production, service costs) materialize. Such oil price hikes will also dampen economic activity as businesses work through supply chain disruptions and consumers' purchasing power weakens.

Sources: Bangko Sentral ng Pilipinas. (2026). Bangko Sentral ng Pilipinas Press Releases and Advisories. Bsp.gov.ph. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?Itemid=78506&MType=MediaReleases>
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GLOBAL LENS



Source: Wicks, B. (2022, March 29). A group of oil rigs in the ocean. Unsplash.com; Unsplash. <https://unsplash.com/photos/a-group-of-oil-rigs-in-the-ocean-Ej2FQy1W7z4>

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Escalation in the Middle East Keeps Crude Prices Above \$90/barrel



The third week of the Middle East war intensified with attacks on oil facilities and continued closure of the Strait of Hormuz. Iraq reduced output due to tanker restrictions, and Qatar's gas capacity fell 17% after Iranian strikes damaged its LNG facility. Oil futures stayed high, with Brent at \$112.2/barrel (highest since July 2022) and WTI at \$98.3/barrel. Despite President Trump considering "winding down" the conflict, the U.S. deployed more troops to the region.



Managing upside inflation risks, the Fed held rates in its March 18th meeting. Fed Chair Powell mentioned progress on inflation was not coming down as quickly as hoped, and that the oil shock would likely weigh on U.S. growth and add to inflation. Gold prices dropped accordingly to below \$5,000/oz.



Outlook: The week marked a heightened change as lasting damage to oil infrastructure came into play. Conflict escalation may continue, though both sides of the conflict are feeling the pain of war damages and soaring oil prices. The outlook is more uncertain now, likely straying from Trump's initial 3-4 week timeline. Central banks are expected to turn hawkish, and markets will closely watch inflation data out of the first month of the war.



FOREX FOCUS

Peso-Dollar Breaches P60:\$1 Threshold on Elevated Oil Prices

Crude oil price and U.S. dollar movements mostly dictated USD-PHP changes during the week ending March 20, 2026. The latter responded strongly to oil prices due to the country's dependence on the product mostly from the Middle East. On the other hand, the U.S. dollar only had mild changes due to its lower dependence on imported petroleum products compared to its European and Asian counterparts.

Rising Brent crude prices pushed the peso-dollar rate past P60/\$ by week's end. USD-PHP opened sharply higher at P59.892 on Monday, but eased midweek with a softer dollar and likely BSP intervention, then climbed again as Brent hit \$112.96/bbl, finishing at a record P60.10/\$. This meant a 0.61% w/w rise, a pace half as fast in the previous week of 1.25%. The rate could have reached P60.40/\$ if not for profit-taking and BSP action. Average daily trading fell 8.8% to \$1,975.00, still the year's second highest.



Source: Cichosz, P. (2020, March 21). 100 banknote on pink textile. Unsplash.com; Unsplash. <https://unsplash.com/photos/100-banknote-on-pink-textile-jlg1cbg3Tpi>



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

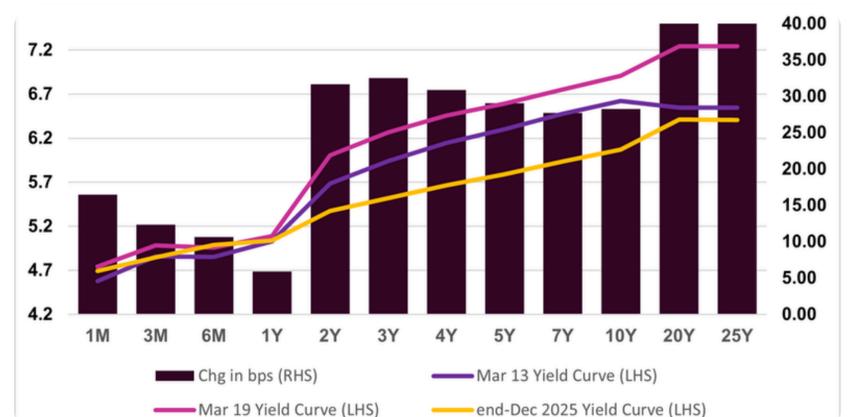
Outlook: With the West Texas Intermediate (WTI, U. S. benchmark) remaining below \$100.00/bbl and likely sideways movement in Brent crude, we should see a likewise lateral action on USD-PHP with a downward bias. In the light of these, we still keep our view that FX rate may be difficult to sustain above P60.00/\$. Demand, however, for the U.S. dollar should remain robust, as foreign firms exit PH equities and bond markets, due to uncertainties in crude oil supply for the country.



THE BOND BLUEPRINT

Risk-Off Appetite Induces Further Bond Market Selloff

Investors shunned the local bond markets anew in the short week ending March 19th. Tenders for GS auctions remained tepid despite very low offers of P47.0-B by Bureau of Treasury (BTr). The latter had to reject almost as much bids (P23.0-B) as the amount accepted. In both auctions and secondary trading yields continued their upswing. The longer end bore the brunt of the surge in yields, particularly the 20Y and 25Y tenors. On a 3-week cumulative basis, the yields swelled most for 104.0 bps (5Y) to 98.3 bps (10Y) and the least in the 1Y or less space.



Source: Bloomberg, Authors' Calculations

GS Auctions

BTr's low offers of P47.0-B saw a higher tender-offer ratio (TOR) at 1.28x versus 0.87x last week. T-bills TOR rose to 1.37x, mainly due to strong demand for 91-day auctions, while 364-day bills lagged. Yields climbed less sharply: 91-day bills up 22.3 bps to 4.900%, 182-day papers up 15.5 bps to 4.950%. The 10-74 re-issue (9.9 years) had a TOR of 1.165x, but BTr only accepted P4.722-B of P20.0-B, rejecting high bids. Yields skyrocketed by 89.3 bps to 6.786%.

GS Secondary Trading

Investor risk aversion led to a -28.7% drop in trading volume to P148.2-B, about half of what was seen two weeks ago. Short-term tenors (under 3Y) made up 58.6% of trades, while selling pushed the share of 7Y-25Y maturities to 21.9%. Yields for 20Y and 25Y bonds jumped by around 70 bps to over 7.24%, and 7Y and 10Y yields climbed nearly 28 bps each. Short-term papers saw smaller increases, with 3M to 1Y yields rising up to 12.33 bps. Over three weeks, the 5Y-10Y buckets had the highest yield upticks with 98.3 bps (10Y) to 104.0 bps (5Y), while short tenors had smaller declines of -55.0 (3M), -43.4 (6M) and -46.8 bps (1Y).



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

Outlook: Trump's new ultimatum to Iran on keeping Strait of Hormuz open will likely create more uncertainty in the coming week. More risk premium may emerge for already elevated crude oil prices (Brent, & Dubai). Import dependence of the country for petroleum products will translate to higher inflation in the short-term and so we may see our March inflation forecast of 4.2% slightly exceeded. Since long-dated bond yields have already rocketed in the past 3 weeks, the upside to 10-year benchmark yields appears limited to slightly below 7.0%, a strong resistance level.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Mar 19	W/W Change
JGS	26.9	5.9%
ICT	700.0	2.2%
CNVRG	13.2	1.8%
MONDE	6.1	1.8%
CNPF	36.1	1.5%
URC	64.0	-6.6%
MBT	64.4	-6.0%
GTCAP	535.0	-5.0%
PLUS	18.3	-4.3%
AEV	29.4	-3.6%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved Mar 19, 2026 from "Workspace Add-in for Excel"

PSEi Edges Down on Middle East War, Keeps Above-6,000

The PSEi edged down by -0.67% WoW to 6,018.62 over the holiday-shortened week of March 16-19, as local industry players and consumers braced for higher prices. The backdrop of a higher inflation scenario and a weaker peso dominated the market, causing a tumble early in the week. Bargain hunters stepped in by mid-week, though profit-taking in the risk-off environment plunged the market. Some volume flows related to FTSE index rebalancing also ensued. A last-minute technical rebound emerged to return the index just above 6,000.

The cautious air trimmed market turnover by almost a third, to just P33.1-B for the week. Foreign funds kept cautious, becoming net sellers worth P2.1-B though still some -66.0% WoW lower than the previous week's selling posture. All but one sector swam in the red, with the Services sector turning in a +1.27% WoW gain on heavyweight positioning while the Mining & Oil sector plummeted (-11.01% WoW) on lower metals prices.



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

Outlook: More of the same for now. Rangebound trading with a downside tilt may continue in the risk-off environment, unless any substantial de-escalation in the Middle East ensues. Market participants will closely monitor local oil supply availability as higher pump rates become increasingly priced in, and if the peso-dollar rate will sit above P60.1/\$ for long. Investors will likely keep defensive through the week and fish for oversold counters in the bargain bin.



OUR OUTLOOK

- 1 **Market may be guided by the Middle East development.**
- 2 **Oil price and currency movement.**
- 3 **Inflation and GDP growth impact.**

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