

Economic Watch



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THE LOCAL READ



Source: Caraan, R. M. (2020, April 4). City skyline under white clouds during daytime. Unsplash.com; Unsplash. <https://unsplash.com/photos/city-skyline-under-white-clouds-during-daytime-OAWvZyvik0Q>

BSP Holds Rates in Off-Cycle Meeting; February Trade Deficit at 9-Month Low

Facing a higher inflation outlook, the Bangko Sentral ng Pilipinas held an unscheduled policy meeting on March 27th and kept its rate at 4.25%. Governor Remolona expects inflation to exceed the four percent target soon but noted that raising rates would slow economic growth and do little to address supply-driven price increases. This follows persistent global oil prices above \$90/barrel and ongoing pump price hikes during the first month of the Middle East conflict.

In the external sector, the country's trade deficit reached nearly \$3.7 billion, up 23.1% year-over-year but still at a nine-month low. Imports grew 12.6%, outpacing exports at 8.0%, with exports totaling \$7.3 billion—the highest since last October. AI demand buoyed Electronic Products exports (+57.7%), while higher imports of Capital Goods (+37.7%) and Consumer Goods (+13.3%) reflected stronger domestic demand and business optimism.

Outlook: BSP's unexpected meeting aimed to provide forward guidance and smooth over financial market turbulence. Off-cycle meetings typically result in a policy rate movement (cut or hike), so this "hold" outcome likely showed great concern over low growth. For now, we foresee another rate hold in BSP's scheduled April 28th meeting as BSP admitted moving interest rates would do little in fixing oil supply shocks and the growth outlook remains soft. Externally, we see trade performance becoming an odd green shoot in our economic growth story, as geopolitical events encourage frontloading and the depreciated peso makes exports more cost competitive.

Chan, K. (2026, March 26). BSP holds rates in off-cycle meeting - BusinessWorld Online. BusinessWorld Online. <https://www.bworldonline.com/top-stories/2026/03/27/739010/bsp-holds-rates-in-off-cycle-meeting/>
De Leon, N. G. (2026, March). Philippine trade deficit hits 9-month low in February. INQUIRER.net. <https://business.inquirer.net/581839/philippine-trade-deficit-hits-9-month-low-in-february>



GLOBAL LENS

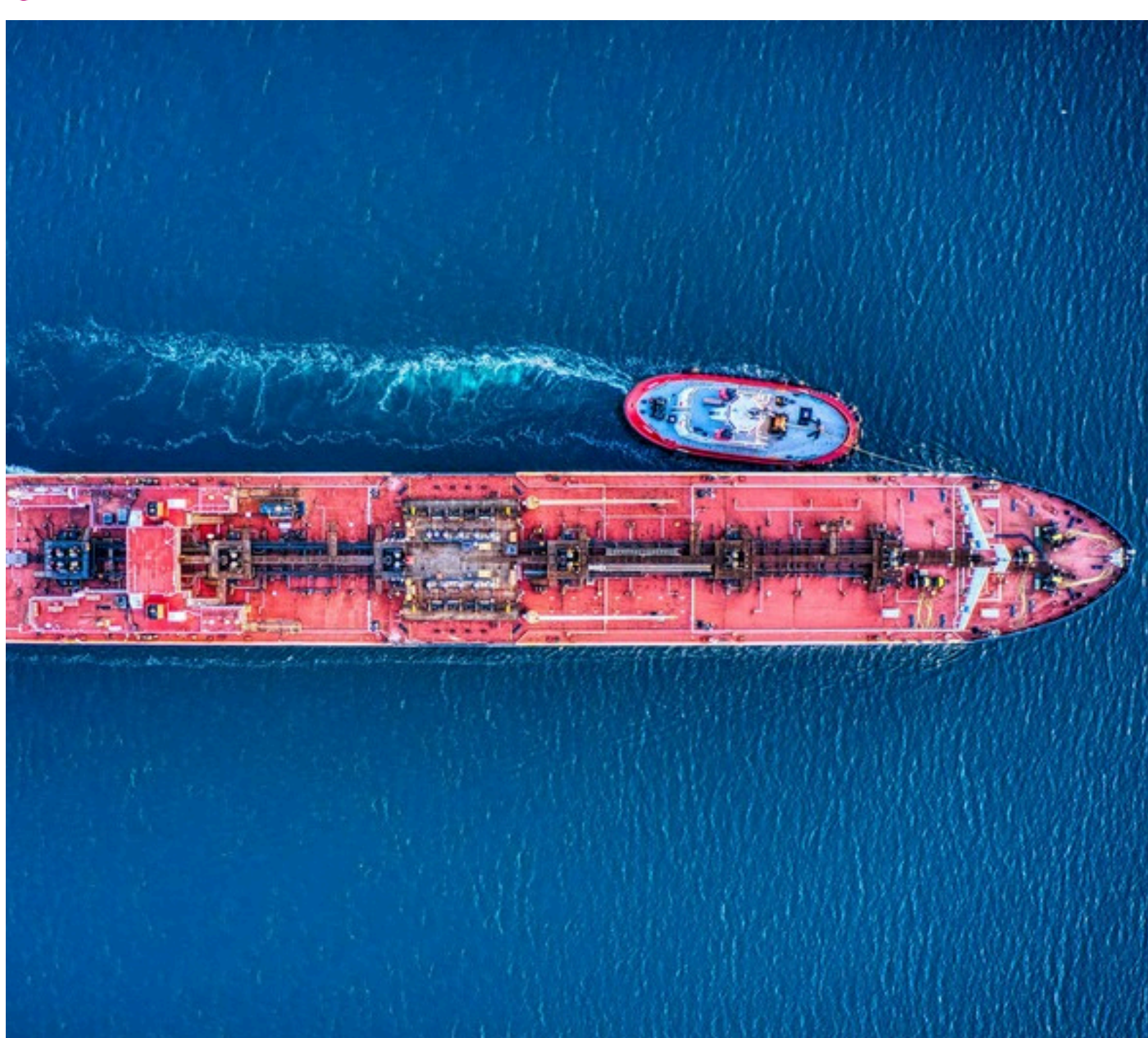


Image Source: Venti Views. (2020, February 24). A red oil tanker shot from directly above. Unsplash.com; Unsplash. <https://unsplash.com/photos/aerial-view-of-city-buildings-beside-body-of-water-during-daytime-R5maVv54AZM>

Article Sources: Conlon, S., & Leask, H. (2026, March 25). Treasury yields tumble as Trump talks up Iran ceasefire plan. CNBC. <https://www.cnbc.com/2026/03/25/treasury-yields-tumble-as-trump-talks-up-iran-ceasefire-plan.html>
Shahid, A., & Abdallah, N. (2026, March 28). Yemen's Houthis enter Iran war with attacks on Israel, while US Marines arrive in region. Reuters. <https://www.reuters.com/world/asia-pacific/yemens-houthis-enter-iran-war-with-attacks-israel-while-us-marines-arrive-region-2026-03-28/>

Middle East War Enters First Month; Negotiations Stall



The war has lasted an entire month thus far, with no definite peace timeline in place. Brent and WTI futures continued trading near \$100/bbl, after Iran issued conflicting statements against President Trump's de-escalation tease early last week. WTI spot price initially tumbled by -9.5% on March 23rd to \$89.3/bbl on ceasefire hopes but later reversed back above-\$95/bbl after Iran dismissed them.



Our WTI benchmark then shot up to \$101.01/bbl on news that Iran turned away Chinese-flagged vessels transiting the Strait of Hormuz. Over the weekend, U.S. Marines arrived in the Middle East while Iran-backed Yemeni Houthis entered the war with their first missile strikes against Israel.



Outlook: Following Trump flip-flops on the end of the war, oil traders have become more cautious and have started to raise their threshold for believing ceasefire or end-of-conflict speculation. Analysts at Goldman Sachs and the European Central Bank now pencil in lower GDP and higher inflation outlooks for the U.S. and the Eurozone given the conflict's prolonged and continuous escalation. The coming month will host a deluge of economic data giving us a first look at the effects of the Middle East conflict, which market participants will closely monitor over the next few weeks.



FOREX FOCUS

Peso-Dollar Remains Soft as Oil Prices Rise

The local foreign exchange market responded to the current movements in crude oil prices and the robust U.S. dollar. Reacting to the sharp drop of WTI crude oil prices (U.S. benchmark) to \$89.33/barrel on Monday, the peso appreciated on Tuesday 24th. But USD-PHP returned to its depreciation mode the rest of the week, amid the renewed rally of crude oil prices and the stronger U.S. dollar.

Apart from minor appreciation of the peso-dollar to P59.50/\$ on Tuesday, the USD-PHP kept its upward trend amid the rebound of WTI crude oil price closer to \$100/bbl. The latter reflected in U.S. dollar regaining strength as Pres. Trump retreated from a 5-day ultimatum on Iran to keep the Strait of Hormuz open or bomb its power sector assets. Average daily trading volume remained elevated \$1.71-B, lower by -13.3% w/w from past week. USD-PHP depreciated more in the week ending March 26, 2026 by 0.75% w/w (vs. 0.61% previously) and ended at P60.55/\$ from \$60.10/\$ a week ago. BSP has changed its tune, saying that a weaker peso is “not bad”, likely due to the high cost of intervention.



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-15bXOfNcjnU>



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

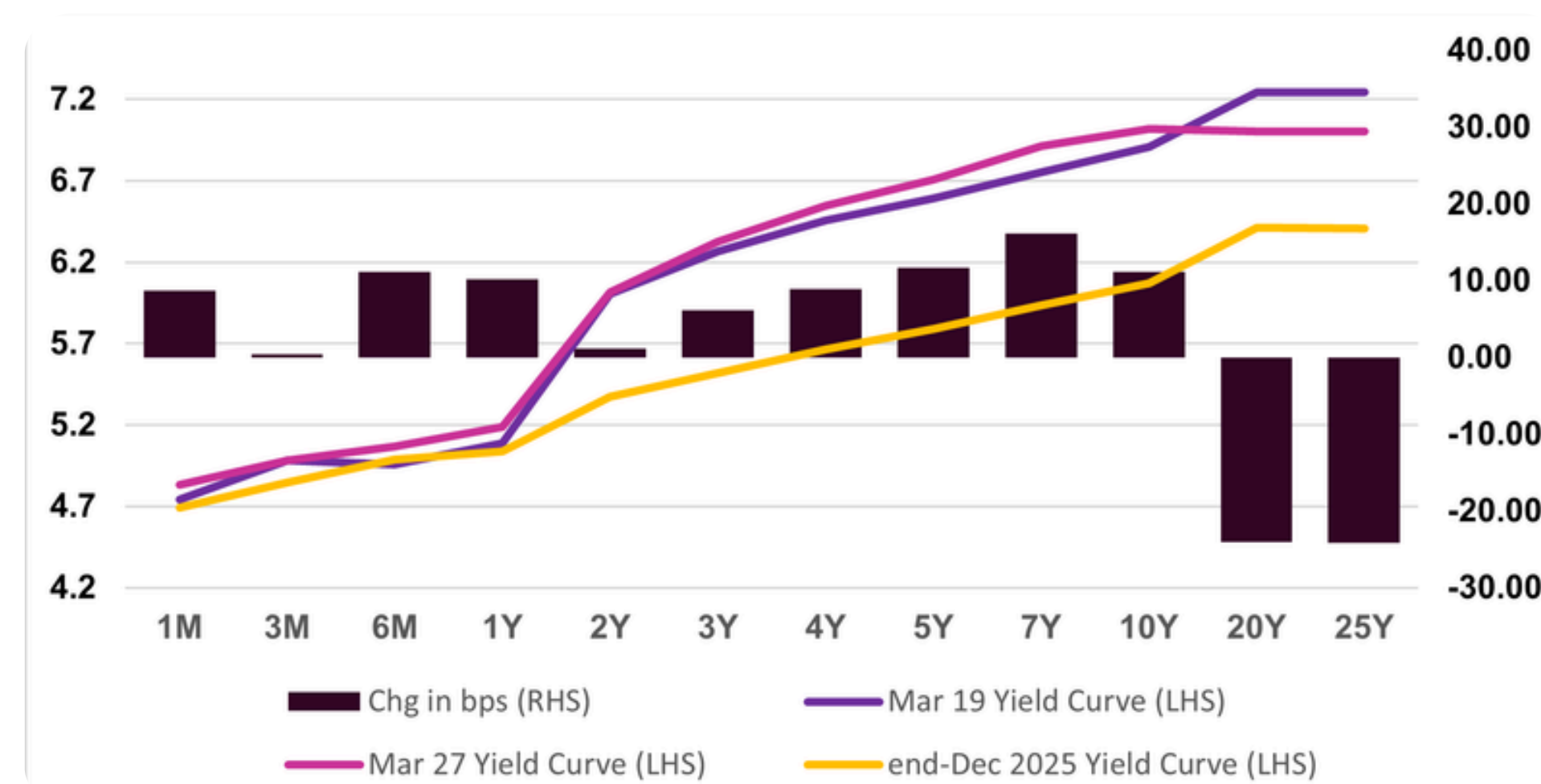
Outlook: We agree with BSP’s new view, since OFW remittances boost consumer spending, while local producers (for both domestic and external markets) can compete better and hike employment with more competitive FX rate. Besides, the very high prices of petroleum products not only for the Philippines but also for East Asia and Southeast Asia translate to wider trade deficits. With the BSP “change of heart” we also revise our view. We think USD-PHP will remain above P60/\$ for as long as WTI prices are above \$95/bbl.



THE BOND BLUEPRINT

Upward Pressure on Yields Still Apparent

As the Bureau of Treasury (BTr) rejected an elevated amount of bids in the GS auctions, bond dealers may have focused more on the secondary market where trading nearly doubled (+96.8% w/w). Thus, yields tended to ease mid-week only to renew their upswing by end of the week, as WTI crude oil prices neared \$100/barrel and the U.S. dollar strengthened.



Source: Bloomberg, Authors’ Calculations

GS Auctions

BTr auctioned P37.0-B in T-bills and T-bonds, P10.0-B less than last week, mainly affecting T-bonds. Thus, the Tender-Offer Ratio increased to 1.354x from 1.284x. BTr continued rejecting elevated bids (56.7% of total), including P10.0-B for the 3.2-year bond (FXTN 07-67). T-bill yields rose, with the 91-day up 10.4 bps to 5.004%—the first time above 5.0% since September 2025; 182-day and 364-day bills gained 8.2 and 9.6 bps to 5.032% and 5.166%. The 23.9-year T-bond (FXTN 25-12) jumped 82.3 bps to 7.40%.

GS Secondary Trading

Trading volume nearly doubled to P291.8-B after two weeks of declines. Investors shifted toward shorter tenors, with papers of 3Y or less making up 85.4% of trades, up from 58.7%. The 7Y–10Y share dropped to 3.5% (prev. 11.7%). Benchmark 10Y yields fell from 7.139% to 6.983% by Thursday before edging up to 7.0194%. Yields moved more slowly overall; 20Y and 15Y tenors fell about 24 bps as investors took profits. 3M yields rose minimally (+0.4 bps), while 1Y climbed 10.2 bps to 5.1905%. In the 5Y–10Y range, 10Y yields rose 11.2 bps and 7Y saw the largest increase at 16.2 bps to 6.9147%.



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

Outlook: The 10 bps jump in U.S. 10-year bond yields to 4.438% last Friday should provide an upward bias to local GS yields. However, much still depends on any significant developments in the crude oil market. Risk aversion will remain to keep short tenors' (1Y or less) yield movements more muted, as investors continue to flock to that space. The nearly 9x rocket in ROPs trading volume from a week ago would likely indicate foreign selling and suggests more risk-off for Philippine peso debt papers. This would also add some pressure on local bond yields, although the \$1.0-B ADB loan to modernize Philippine agriculture may offset that.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Mar 27	W/W Change
ACEN	2.9	11.8%
MONDE	6.5	5.7%
MBT	66.0	2.6%
URC	65.5	2.3%
SMC	71.5	2.2%
PLUS	16.5	-9.9%
CNVRG	12.7	-4.1%
ALI	17.5	-4.0%
SCC	28.9	-3.8%
CBC	65.3	-3.3%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved Mar 27, 2026 from "Workspace Add-in for Excel"

PSEi Tilts Downwards as Middle East War Enters First Month

The PSEi dipped further by -0.76% w/w to 5,972.83 as the conflict in the Middle East continued into its first month. While ceasefire hopes from President Trump's comments early in the week initially lifted the mood, conflicting statements from Iran and more escalation sent the bourse stumbling after the mid-week. News about Robinsons Retail Holdings, Inc's (RRHI) planned delisting also broke late in the week, offering to buy out public shares at P48.3 each.

Initial optimism saw market turnover recover by +14.9% w/w to P38.1-B for the week. Foreign outflows continued as an enduring theme, with offshore net selling up by +12.3% to P2.1-B, the fourth straight week of outflows. Lone sectoral bright spot Industrials advanced by +0.49% w/w on ACEN's lunge (see Table), while Mining & Oil retreated the most by -1.4% w/w on further metal prices correction.



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

Outlook: Investors are expected to keep defensive unless there is clear progress toward peace in the Middle East, especially as trading slows during the local holiday week. With markets already "once bitten, twice shy" with Trump's initial ceasefire statements, participants will need to see more concrete steps to be convinced of de-escalation and lend market support. With uncertainty persisting, local investors are likely to avoid large trades ahead of Holy Week. We see opportunities to accumulate into strength for large banks (following BSP's rate hold; propping up interest income) and utilities (defensive plays that can pass on costs) but see major headwinds ahead for transportation and discretionary consumer companies.

OUR OUTLOOK

- 1 Short week will keep market on a risk-off mode
- 2 Expect both equities and bonds to remain sideways with a negative bias
- 3 PSEi will stay below the 6000 level
- 4 Inflation concerns will impact rate-sensitive stocks and the longer-dated bonds

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