Economic Watch

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THE LOCAL READ

Source: Buillerey, M. (2019, April 18). cityscape photography of buildings and boats. Unsplash.com; Unsplash. https://unsplash.com/photos/cityscape-photography-of-buildings-and-boats-KwgEwVEsao8

Cash Remittances Up 2.3% Amid Middle East Conflict, Foreign Investments Contract by -34.9% YoY, Gross International Reserves Drop to 15-Month Low; Senate Shooting Scares

Cash remittances from OFWs grew by +2.3% YoY ($2.87-B) in March despite the Middle East conflict, though at the slowest pace in nearly three years. OFW repatriation amid conflict in the Middle East, as well as inflationary pressures in host countries weighed on remittance growth, which historically grows by 3% on a yearly basis.

Meanwhile, Foreign Direct Investments (FDIs) in February declined by -31.0% YoY to $590.0-M. This is the 14th straight month of yearly contraction, pointing to subpar investment appetite since last year. Year-to-date, FDIs underperformed by 34.8%. This latest print was right before the Israel, U.S.-Iran conflict, which could point to further downside for foreign investment appetite in the coming months. Similarly, Gross International Reserves also declined to $104.1-B in April, the lowest since January 2025 as forex holdings and gold reserves shrank. This amounted to 6.9 months' worth of imports, much above the IMF's recommended 3-months level.

In local events, a shooting broke out at the Senate building Wednesday evening, largely seen as part of an ICC arrest warrant for Senator Dela Rosa. The Philippines Exporters' Confederation flagged foreign investment and business confidence risks which could stall the country's economic momentum.

Outlook: These subpar dollar inflow metrics, along with still-elevated oil prices and rising political noise suggest further depreciation bias for the peso. Softening external flows with steady import demand and risk-off sentiment reinforces further near-term weakness. Household consumption may also soften further following weakening OFW remittance performance.

Article Sources: BSP. (2026). Bangko Sentral ng Pilipinas Press Releases and Advisories. Bsp.gov.ph. https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7901&MType=MediaReleases
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GLOBAL LENS

Image Source: Spiske, M. (2020, November 5). man in black suit jacket. Unsplash.com; Unsplash. https://unsplash.com/photos/man-in-black-suit-jacket-RX-BevgxSXs

President Trump Rejects Iran Proposal; U.S. Inflation Jumps to 3.8%

Oil prices trekked higher last week as the U.S. and Iran's latest round of negotiations fell off. WTI crude futures hit $100/bbl by May 12th as President Trump shot down Iran's latest peace deal, with the latter asking for continued control over the Strait of Hormuz, war reparations, and a continued nuclear program. WTI crude closed last week at nearly $105/bbl as U.S. oil reserves declined and a Venezuelan gas facility exploded.

In the U.S., April inflation soared to +3.8% YoY, its highest level since May 2023, with higher energy and food prices from the Middle East war pushing faster price growth. This faster-than-expected print will likely force the Fed into a more hawkish position, in contrast to incoming Fed Chair Warsh's more dovish tilt.

Outlook: For global markets, the combination of sticky U.S. inflation, delayed Fed easing, and elevated geopolitical risk is likely to sustain volatility across equities, bonds, and currencies. Higher oil prices raise the risk of imported inflation globally while also keeping global interest rates elevated for longer, tightening financial conditions for emerging markets and inviting domestic currency weakness against the dollar.

Article Sources: Cox, J. (2026, May 12). Consumer prices rose 3.8% annually in April, the highest since May 2023. CNBC. https://www.cnbc.com/2026/05/12/cpi-inflation-april-2026-.html
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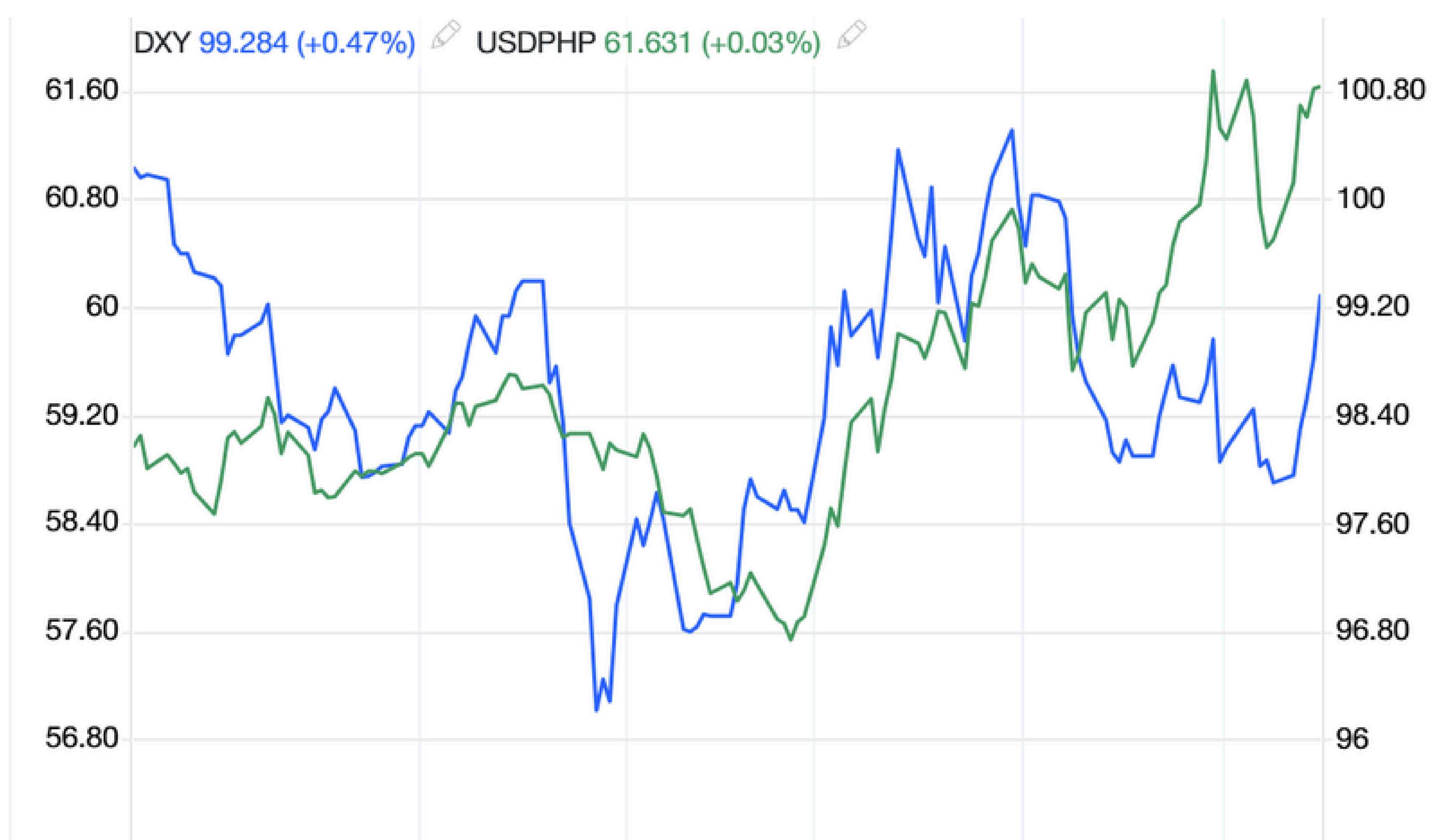
FOREX FOCUS

Peso Dollar Strengthens on Softer Oil Prices

Another round of crude oil prices to above $100/bbl for both WTI and Brent dominated the sentiment in the local foreign exchange market.

After keeping below P61.00/$ on Monday, USDPHP traded above it for the rest of the week. It ended at P61.721/$, a sizeable 2.15% w/w depreciation from P60.613/$ previously. Demand for the greenback, from both local users and foreign traders, remained robust during the week. Disclosure that the country's Gross International Reserves (GIR) posted a large $2.5-B drop by end-April to $104.1-B (and from $113.3-B in February) contributed to the peso's weakness, amid expanding trade deficits. Average trading volume slipped by -7.1% w/w to $1.9-B.

Source:X4M0 000. (2022, August 10). a pile of money. Unsplash.com; Unsplash. https://unsplash.com/photos/a-pile-of-money-Gb4wXZ8dry8



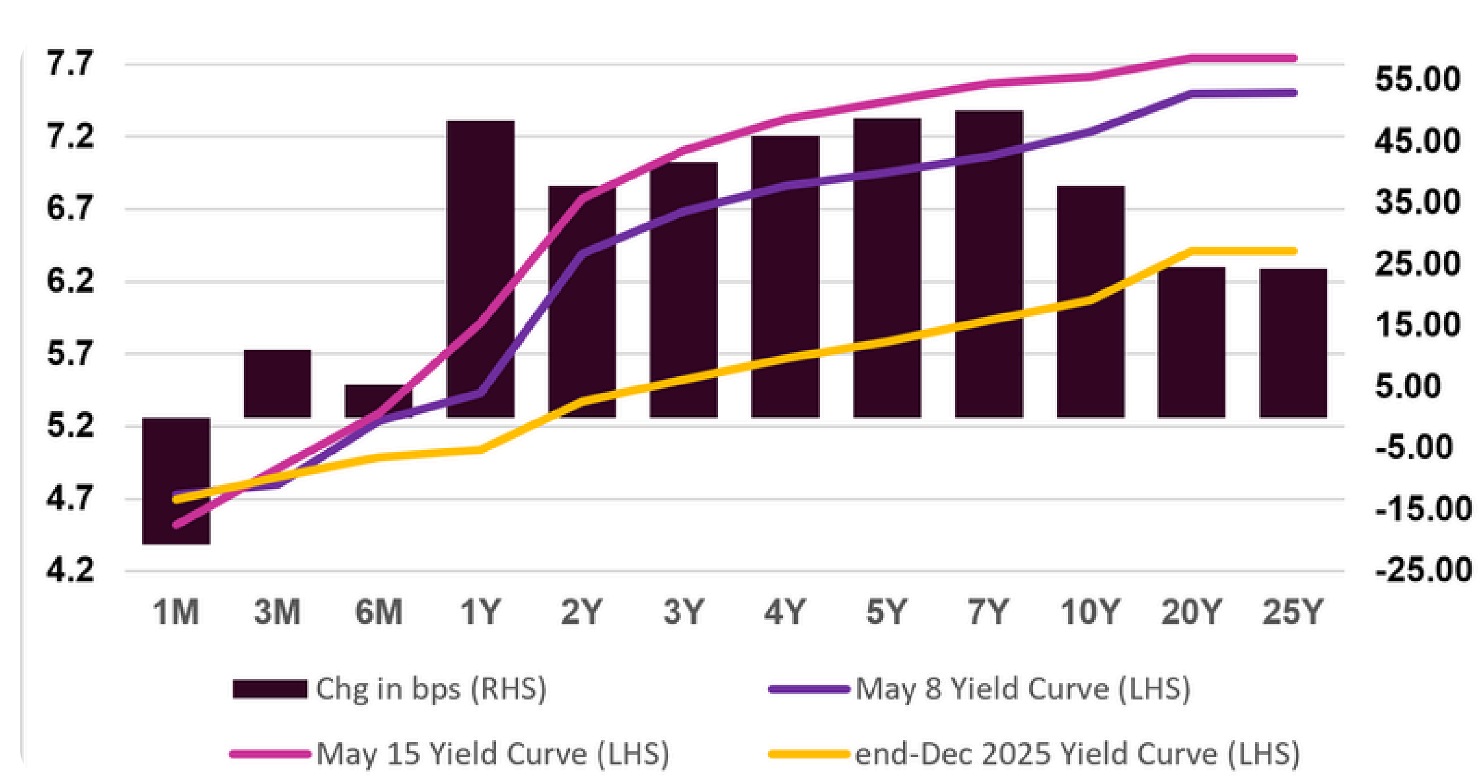
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

Outlook: The combination of faster PH inflation and volatile but elevated crude oil prices, in the absence of a peace, will likely limit the appreciation of the peso-dollar rate. Solid FX demand—final user and traders-- in the last two days last week would also support that view. We don't see compelling reason for a shift back to peso assets given the riskiness of PH bond and equity investments.

THE BOND BLUEPRINT

Yields Rise on Still-High Crude Oil Prices

With higher crude oil prices and inflation, investors still eschewed the local bond market at both auctions and secondary market.



Source: Bloomberg, Authors' Calculations

GS Auctions

Investors still shunned government securities as the Tender-Offer-Ratio (TOR) for auctions remained low at 1.424x despite slightly lower offerings by the Bureau of Treasury, albeit a bit better than 1.384x previously. Yields for both short and long-dated papers climbed. Investors focused on the 91-day T-bill auction which exhibited the highest TOR at 2.009x resulting in lowest gain in yields of 13.9 basis points to 4.850%. The 364-day bills vaulted by 34.2 bps to 5.719%. For the lone Treasury bond offering of 4.7Y (FXTN 07-71), tenders exceeded the P30.0-B offer, but investors demanded an astronomical 153.2 bps (7.249%) over its previous level on March 3rd.

GS Secondary Trading

Mirroring the sentiment in the auction market, secondary trading volume shrank by -3.2% to P124.9-B. De-risking by going for shorter tenors, the <3Y space snagged 55.0% of market share, soaring by 20.5 points from a week ago. When expanded to <5Y buckets, its share of 93.4% of trading left little for the long-dated papers. Yields went north across the curve, with the smallest rises occurring in the 3M and 6M buckets (+11.1 bps to 4.911% and 5.4 bps to 5.2914%, respectively). Apart from 1Y tenor, the 4Y (+46.0 bps) to 7Y (+50.1 bps) space posted the largest yield gains as these closed the week at 7.3194% and 7.567%, respectively. The 10Y benchmark yield took a huge 37.9 leap to end at 7.6151%.

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

Outlook: With the +12.3 bps w/w uptick in 10Y U.S. Treasury bonds to 4.485%, a 30-month high, and a rebound of crude oil prices (WTI to $105/barrel, Brent to $109/bbl), we expect extended upward pressure on Philippine bond yields, especially at the long end of the curve. U.S. T-bonds reacted to faster inflation for April, while crude oil prices jumped with the unabated withdrawals from strategic oil reserves in advanced economies. The impact of Trump's summit with China's Xi Jinping will still await further developments.

THE EQUITY PLAY

PSEi Sideways on Middle East Uncertainty and MSCI Rebalancing

The PSEi edged up by +0.27% w/w to 5,976.77, practically moving sideways as investors positioned from last week's selloff. The index tumbled through the first half of the week as elevated oil prices and a failed round of U.S.-Iran negotiations subdued sentiment. Opportunistic buying emerged by the second half of last week, raising the index but ultimately ending on a guarded note as profit taking ensued. Investors de-risked by the end of the trading week in the absence of significant upward catalysts. The MSCI rebalancing exercise also saw JFC's downgrade to the MSCI Philippines Small Cap Index, which could result in lower foreign funds exposure for the counter.

Total turnover slipped by -5.1% w/w to P6.76-B. Net foreign buying returned to the tune of P303.0-M, though more cautious with a -23.8% weekly decline. Sectors ended mixed, with Services up highest (+3.3% w/w) on heavyweight positioning while Industrials lagged the most (-2.8% w/w) on the JFC selloff.

Top Five Index Winners & Losers

Stock	Close as of May 15	W/W Change
GLO	1,805.0	6.7%
RCR	7.3	5.8%
ICT	805.0	4.5%
PGOLD	45.9	4.4%
BPI	90.4	2.6%
JFC	140.6	-14.5%
CNVRG	11.5	-8.2%
PLUS	12.7	-7.2%
AC	446.0	-5.1%
CNPF	29.8	-4.6%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved May 15, 2026 from "Workspace Add-in for Excel"

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

Outlook: The market may continue treading defensively with rangebound movements. Oil prices remain elevated and the latest round of peace talks were thwarted, which will continue sparking risk aversion among investors. Technical indicators suggest broadly stable movements for now. Tactically, bargain hunters can pick through oversold counters but will likely take profits when viable. For long term investors, the market is currently trading at 10.07x P/E, undervalued compared to the historical 12.0x P/E benchmark associated with the PSEi.

OUR OUTLOOK

1. Expect a bearish and risk-off tone, with selling momentum likely to extend Friday's decline.
2. Market will de-risk in the face of weak macro data indicators and a restrictive global monetary policies.
3. Expect more upward pressure on bond yields.
4. Equities will continue to trade with a downward bias.

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