

Economic Watch



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THE LOCAL READ



Source: Yoro, S. (2020, December 7). City with high-rise buildings during night time [Photograph]. Unsplash. <https://unsplash.com/photos/city-with-high-rise-buildings-during-night-time-7PEVpaUb8UY>

BSP “Considering Off-Cycle Hike”; Building Permit Approvals up by 2% in March

Local headlines last week centered on a more hawkish tone from the Bangko Sentral ng Pilipinas (BSP). When asked about an off-cycle hike, BSP Governor Remolona said “I wouldn’t say likely. We’re considering it.” This comes as higher food and energy prices raised April inflation to 7.2%, much above BSP’s and analysts’ forecasts. An off-cycle hike would mean raising the policy rate before the Monetary’s Board regularly scheduled meetings, with the next one slated for June 18th. Central banks tend to conduct off-cycle hikes when they see immediate, significant financial instability before their next scheduled policy meeting.

Meanwhile, the number of approved building permits compiled by the Philippine Statistics Authority (PSA) logged an increase of +2.0% YoY in March. The increase in project numbers mainly occurred in the peripheral Metro Manila cities and areas away from it. This points to still-resilient demand for development projects outside of the capital region. However, rising borrowing and material costs likely induced a drop in the total floor area of construction projects (-7.8%) and their value (-0.5%). Developers are likely deferring projects to wait for better market conditions.

Outlook: For local markets, the outlook appears to remain cautious. Expectations of further BSP tightening may keep bond yields high and weigh on property and consumer stocks, while continued oil price volatility may pressure the peso. All eyes are on how and when the Middle East conflict may wind down, though second round inflation effects may keep local risk premia elevated for the near term even with lower oil prices.

Article Sources: Chan, K. K. (2026, May 22). BSP “considering” off-cycle rate hike as inflation risks worsen. [BusinessWorld Online](https://www.businessworldonline.com/2026/05/22/bsp-considering-off-cycle-rate-hike/). [BusinessWorld Online](https://www.businessworldonline.com/2026/05/22/bsp-considering-off-cycle-rate-hike/). Reuters. (2026, May 22). Philippine central bank governor says it is considering off-cycle rate hike. [Reuters](https://www.reuters.com/world/philippines/philippine-central-bank-governor-says-it-is-considering-off-cycle-rate-hike-2026-05-22/). [Reuters](https://www.reuters.com/world/philippines/philippine-central-bank-governor-says-it-is-considering-off-cycle-rate-hike-2026-05-22/). Manago, H. (2026, May 20). Approved building permits rise 2% in March. [BusinessWorld Online](https://www.businessworldonline.com/2026/05/20/approved-building-permits-rise-2-in-march/). [BusinessWorld Online](https://www.businessworldonline.com/2026/05/20/approved-building-permits-rise-2-in-march/).



GLOBAL LENS



Image Source: Akyurt, E. (2024, March 4). A woman pumping gas into her car at a gas station [Photograph]. Unsplash. <https://unsplash.com/photos/a-woman-pumping-gas-into-her-car-at-a-gas-station--qUe9eKH-s>

Article Sources: Shahzad, A., Jones, R. P., & Khushi, A. (2026, May 24). Trump says Iran deal “largely negotiated”, would reopen Strait of Hormuz. [Reuters](https://www.reuters.com/world/us/trump-says-iran-deal-largely-negotiated-dispute-over-strait-reopening-2026-05-24/). [Reuters](https://www.reuters.com/world/us/trump-says-iran-deal-largely-negotiated-dispute-over-strait-reopening-2026-05-24/). Wilkins, J. (2026, May 22). Treasury yields are mixed as investors digest Fed chair swearing in, bond market volatility. [CNBC](https://www.cnbc.com/2026/05/22/treasury-yields-investors-week-bond-volatility.html). <https://www.cnbc.com/2026/05/22/treasury-yields-investors-week-bond-volatility.html>

Oil Prices Tread Lower on Warmer Negotiation Tone; U.S. Bond Yield Volatility Shakes Markets



Global crude prices tumbled throughout last week as officials from both sides signaled better peace negotiation progress. WTI crude oil prices dove from around \$108/bbl to \$96/bbl by Friday. President Trump remarked the Iran deal was “largely negotiated” with provisions to reopen the Strait of Hormuz. U.S., Iranian, and Pakistani officials made similar conciliatory remarks throughout the week. Pakistani Prime Minister Shehbaz Sharif said the next round of talks between the belligerent states will happen “very soon”.



Meanwhile, U.S. Treasury yields became more volatile last week as mounting inflation concerns and the installation of new Fed Chair Warsh came into view. Warsh’s tenure as Fed Chair is largely seen by many as an extension of President Trump’s calls for lower interest rates despite tariff and energy-driven inflation risks. Regional currencies emerged as mixed bags accordingly.



Outlook: Global markets may find near-term relief from easing Middle East tensions and falling oil prices, supporting risk sentiment and easing inflation pressures. However, volatility could persist as investors weigh sticky U.S. inflation, elevated Treasury yields, and uncertainty over future Fed policy under incoming Chair Kevin Warsh.



FOREX FOCUS

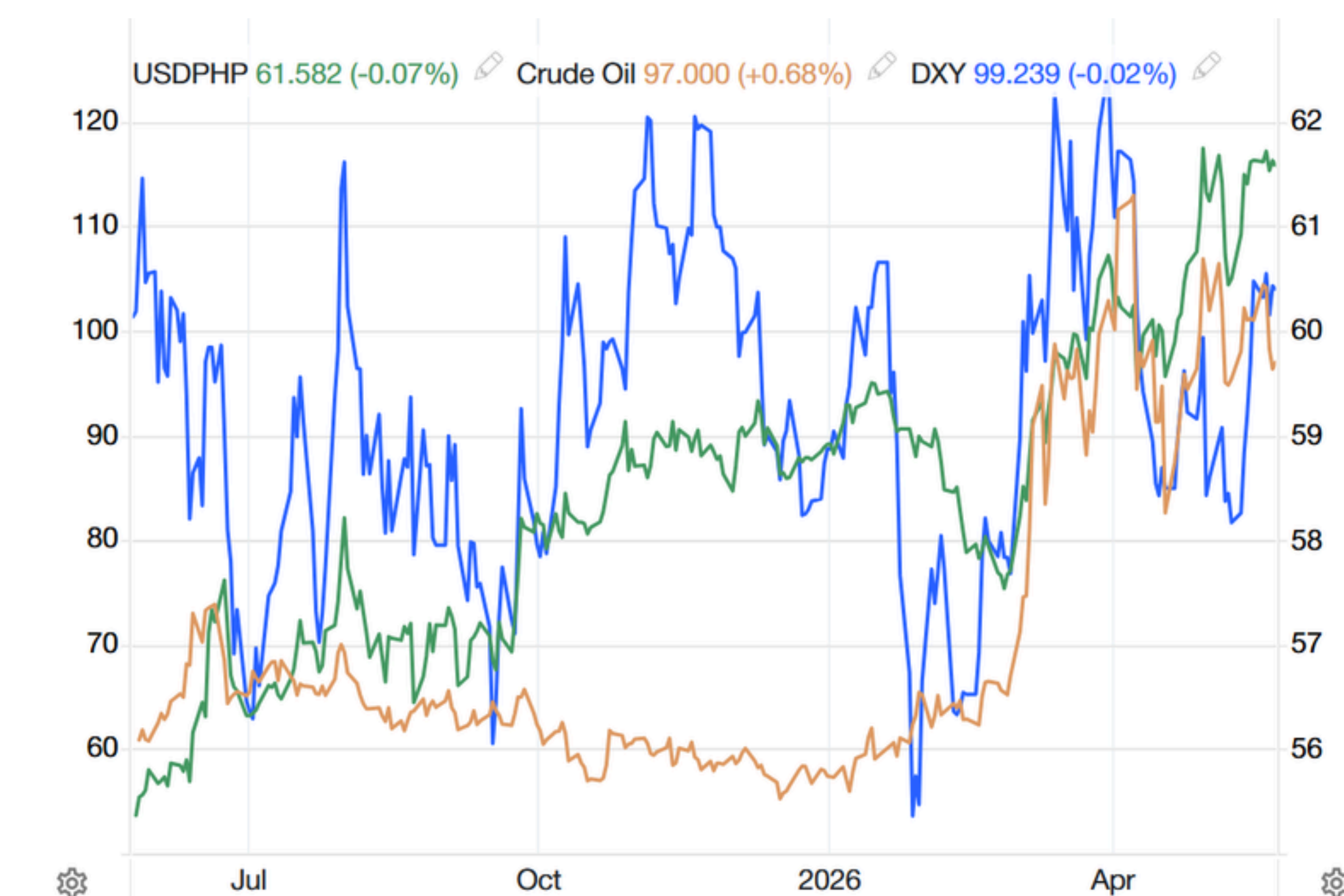
Peso Dollar Rate Tracks Softer Crude Oil Prices

The Peso-dollar rate tracked more closely the U.S. dollar (DXY) as crude oil prices eased to below \$100/barrel (WTI, and below \$105/bbl for Brent)

That the U.S. dollar flattened towards end of the week and so USDPHP traded narrowly as well between P61.581 to P61.750/\$ (closing). The FX rate closed a little stronger at P61.690/\$ with a 0.58% w/w improvement. Trading volume eased by -9.5% w/w to average daily \$1.7-B level.



Source: Hendricks, D. (2021, August 15). Silver round coins and 100 euro coins [Photograph]. Unsplash. <https://unsplash.com/photos/silver-round-coins-and-100-euro-coins-JWvEPSichMo>



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

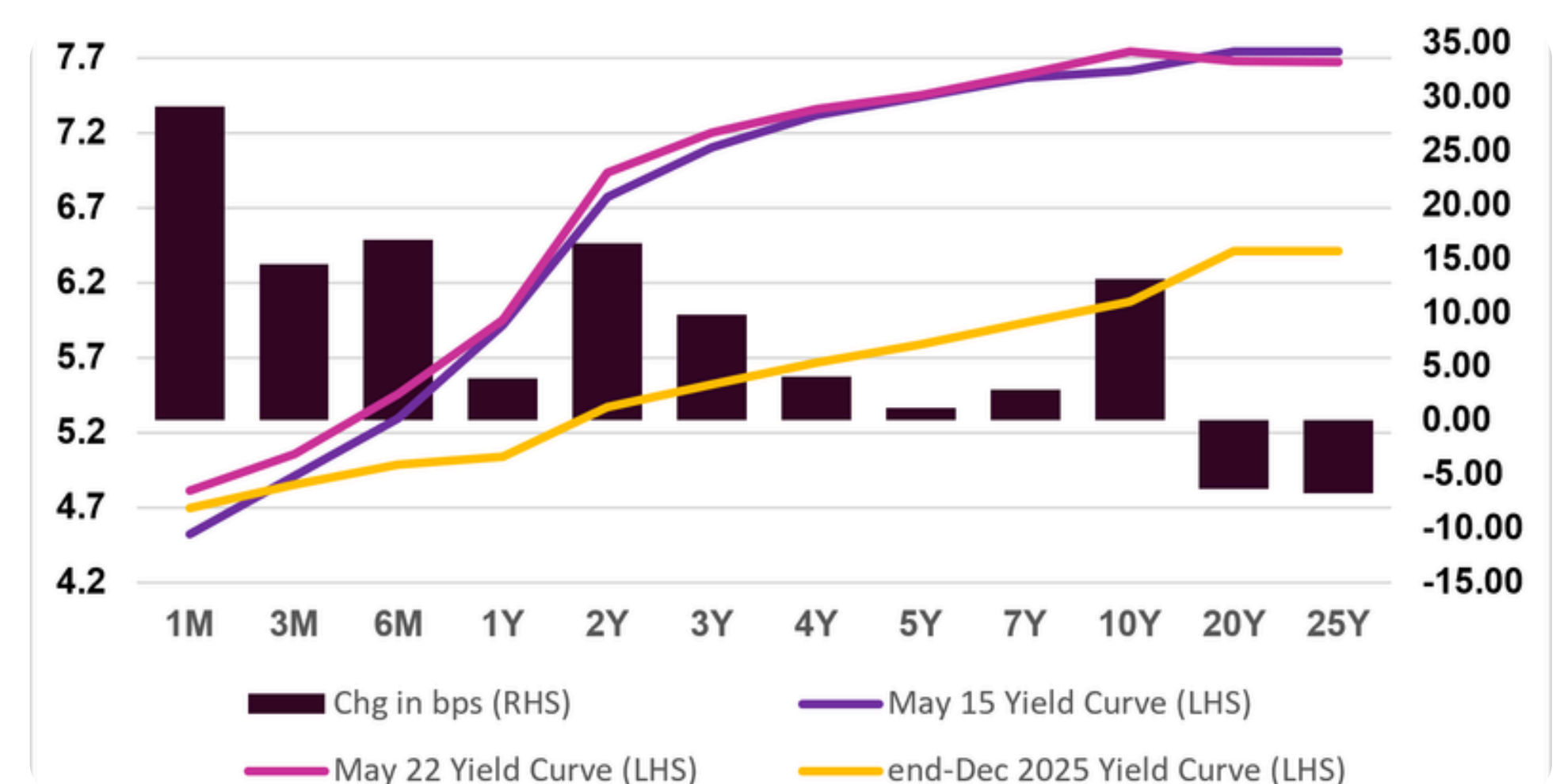
Outlook: Investors may take the cue from the pause in crude oil prices and the moderation of the peso-dollar rate. Given the above, short term upside (depreciation) seems limited. However, the fundamental macro backdrop (see Local Read) may remain as concerns.



THE BOND BLUEPRINT

Bond Market Keeps Risk-off Tone

The local bond market seems still unable to attract more investors with higher yields and softer volumes on the cards.



Source: Bloomberg, Authors' Calculations

GS Auctions

Investors would not bite into Bureau of Treasury's (BTr) bond offerings. Thus, we saw Tender-Offer-Ratios fall sharply to 1.180x from 1.424x a week earlier. BTr rejected the lone long-term bond tenders for the 7.2 year (FXTN 10-71) valued at P30.0-B even though dealers bid more than total offers with a TOR of 1.123x. Weak appetite showed up even for Treasury bill (T-bill) auctions with a TOR of only 1.213x from 1.574 just a week earlier. That did not prevent yields from rising by 22.4 basis points (bps) for 91-day T-bills (to 5.074%) and by the most for 182-day bills with 62.4 bps surge to 5.894%.

GS Secondary Trading

The risk-off sentiment again reared its ugly head as investors sought shorter tenors in the week. The <3Y maturities space increased its trading dominance cornering 87.0% share (prev. 75.6%). Yield gains moderated during the week, as positive soundings emerged from the Middle East conflict. The 6M (+16.8 bps, 5.4953%), 2Y (+16.5 bps, 6.9359%), and 3M (+14.5 bps, 5.0535%) tenors showed the largest upticks, after being spared from last week's huge gains. Notably, the 3M tenor's breach above 5.0% last occurred in September 2025. With a little bit more of two-way interest in the 4Y -7Y buckets, the rise in yields there proved the least, with 5Y (+1.1 bps, 7.454%), and 7Y (+2.8 bps, 7.595%). The 10-year benchmark yield climbed by 13.1 bps to 7.7461%.



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

Outlook: We may see sideways yield movements with an upward bias. The factors that influence this would include the likely BSP policy rate hike (with suggestions of possible off-cycle, or unscheduled move and/or even more than the usual 25 bps changes) and higher inflation, both local and in the U.S.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of May 22	W/W Change
PGOLD	47.6	3.8%
AEV	30.9	2.8%
AREIT	39.4	2.7%
GTCAP	475.0	1.9%
JGS	27.0	1.9%
TEL	1,190.0	-4.4%
DMC	9.2	-4.0%
SMC	67.5	-3.5%
MER	608.0	-3.5%
GLO	1,750.0	-3.0%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved May 22, 2026 from "Workspace Add-in for Excel"

PSEi on the Defensive with Oil Uncertainty, Foreigners Net Sell Again

The PSEi edged down by -0.26% w/w to 5,961.40, keeping defensive as investors were reluctant to commit to big moves. Market participants ducked for cover as oil prices fluctuated along with the flip-flopping tone of U.S.-Iran negotiations. While the local bourse started on the back foot, bargain hunters again stepped in at oversold valuations.

Reflecting the cautious environment, total turnover plunged by -23.5% w/w to just P25.86-B. Foreigners returned to net selling worth P1.38-B, dwarfing their P161.03-M net buying in the previous week. Most sectors swam in the red, with bright spots Holdings (+0.80% w/w) and Services (+0.53% w/w) advancing on bargain hunting. In contrast, Industrials (-2.29% w/w) and Mining & Oil (-2.60% w/w) bore the brunt of the selloff.



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 drifting sideways with a little upside bias as investors price in another round of warmer U.S.-Iran peace talks. Technical indicators suggest neutral short-term levels, though the MACD (momentum-based indicator) appears to be on the cusp of a bullish crossover. If crude oil prices keep soft, opportunistic foreign flows may also return to give the index a slight lift.

OUR OUTLOOK

- 1 Overseas: US macro data among to be watched this week.
- 2 MSCI rebalancing event will bring more outflows to the market.
- 3 Expect equities to continue its sideways movement.
- 4 Bonds will mirror equities with no significant upside on prices.

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