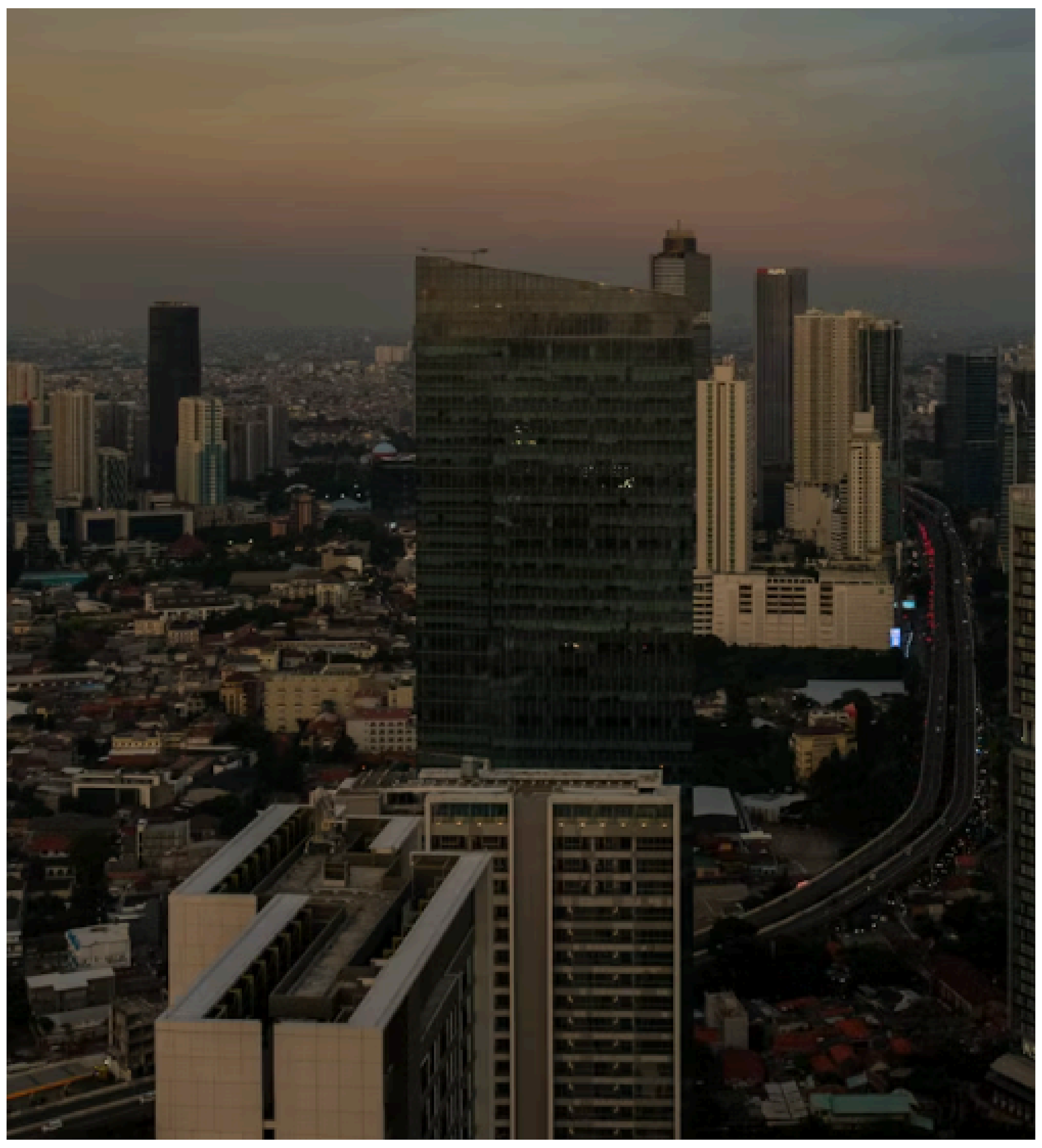
# Economic Watch

A weekly newsletter produced by EastWest Bank in collaboration with the School of Economics of the University of Asia and the Pacific

Issue 23: June 30, 2026

## THE LOCAL READ



Source: Kristianto, D. (2025, July 9). Skyscrapers stand tall against a cloudy skyline [Photograph]. Unsplash. https://unsplash.com/

### DBCC Lowers Growth Outlook; May Tax Revenues Increase by +12.2% YoY

The Development Budget Coordination Committee (DBCC) lowered its 2026 economic growth target to 3.5%–4.5%, said Economic Planning Secretary Balisacan, reflecting mounting headwinds from elevated global oil prices, persistent inflation, and slower government spending amid the lingering effects of the flood control controversy. The downgrade follows a weaker-than-expected 2.8% GDP growth in the first quarter, with policymakers seeing some improvements in the second half of this year with the return of government spending.

Meanwhile, NG's budget deficit widened by 36.7% year-on-year to ₱198.5 billion in May, primarily due to a sharp decline in non-tax revenues with earlier GOCC dividend remittance and one-off transactions magnifying the May budget turnout. Encouragingly, tax revenues grew by a healthy +12.2% YoY to P362.32-B (fastest pace since December 2025), which helped with the deficit as the BIR extended the tax season to May. YTD, the fiscal deficit slimmed by -0.26% to P522.5-B, signaling that the government's overall fiscal position remains broadly on track.

**Outlook:** Philippine economic growth may remain below 5% in the near term as external uncertainties, elevated energy prices, and domestic policy headwinds continue to weigh on activity. Even so, the government's fiscal position provides some room to support the economy through higher public spending, particularly if infrastructure implementation accelerates in the coming quarters. While downside risks remain, a gradual pickup in fiscal expenditure could help cushion growth and support a more balanced economic outlook.

Article Sources: De Leon, N. G. (2026, June). DBCC cuts PH 2026 growth target to 3.5-4.5%. INQUIRER.net. https://business.inquirer.net/596658/dbcc-cuts-ph-2026-growth-target-to-3-5-4-5
Tabile, J. I. (2026, June 25). May budget gap widens to P198.5B - BusinessWorld Online. BusinessWorld Online. https://bworldonline.com/top-stories/2026/06/26/759279/may-budget-gap-widens-to-p198-5b/

## GLOBAL LENS

Image Source: W, J. (2020, August 23). Red and black heavy equipment on green grass field under white clouds during daytime [Photograph]. Unsplash. https://unsplash.com/

Article Sources: Angopa, B., & Uras, U. (2026, June 28). Iran war live: Tehran attacks Bahrain, Kuwait after US bombs Iranian coast. Al Jazeera. https://www.aljazeera.com/news/liveblog/2026/6/28/iran-war-live-trump-threatens-tehran-as-us-bombs-sirik-qeshm-for-2nd-day
Withers, I., & Qiu, S. (2026, June 26). Stocks slip as Apple price hikes fan tech jitters, oil slides. Reuters. https://www.reuters.com/world/china/global-markets-global-markets-2026-06-26/

### Middle East Tensions Flare Anew; AI Fatigue Sparks Market Rout

Amid ongoing negotiations for a final Middle East peace deal, skirmishes resumed under the 60-day ceasefire. The U.S. and Iran launched tit-for-tat strikes against each other and neighbors, after a commercial tanker was reportedly hit by a projectile. Despite this, WTI crude oil prices mostly tumbled from $79/bbl to just $70/bbl, as Middle East supply volumes improved with a short-lived reopening of the Strait of Hormuz. More aggressive soundings emerged over the weekend, with President Trump issuing strong warnings toward Iran.

At the same time, global equity markets cooled on high-flying AI/tech stocks as investors took profits from a months-long rally, reassessed sector valuations, and weighed AI supply chain risks. Asian and European markets similarly slipped with concerns over semiconductor bottlenecks.

**Outlook:** Recent market weakness reflects continued uncertainty surrounding geopolitical and macroeconomic developments. Newfound geopolitical flareups could re-introduce external uncertainty, with implementation risks and broader macroeconomic concerns possibly keeping market sentiment measured.

## FOREX FOCUS

### Peso-Dollar Rate Softens as Dollar Strengthens

USDPHP's upward trend (depreciation) from the previous period continued in the week ending June 26, 2026.

The U.S. dollar strengthened as crude oil prices (WTI) slumped by some 22% since the ME ceasefire agreement on June 12, 2026. Thus, USDPHP Closed at 61.290/$ a 1.2% w/w climb. Firms boosted demand for the greenback while the peso-dollar rate remained low. Thus, average daily trading volume improved by 1.8% to $2.0-B from $1.8-B in the prior week.

Source: Akyurt, E. (2021, November 5). A close up of a bunch of money [Photograph]. Unsplash. https://unsplash.com/

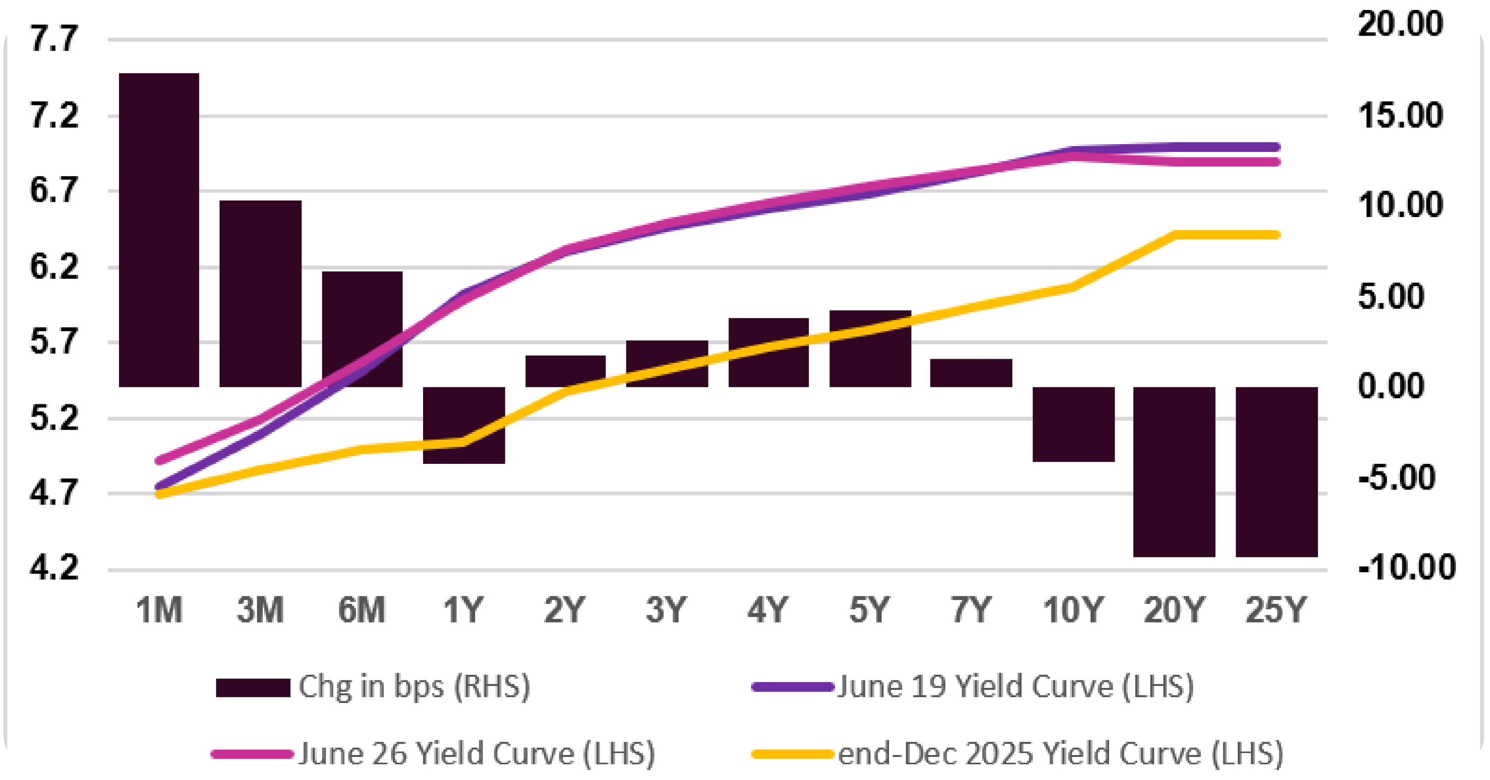

Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

**Outlook:** The Fed's policy stance and movements in crude oil prices may continue to influence the U.S. dollar. Meanwhile, local demand for the U.S. dollar may continue to affect movements in the peso-dollar exchange rate.

## THE BOND BLUEPRINT

### Mild Movements Amid Uncertainty

Bond investors took a pause in both primary (auctions) and secondary market, despite moderately lower yields in long tenors.




Source: Bloomberg, Authors' Calculations

## GS Auctions

With the BTr raising its offering to P145.0 billion from P130.0 billion, the Tender-Offer Ratio (TOR) eased to 1.7658x from 2.165x. The Treasury again offered P40.0 billion in 35-day and 63-day Cash Management Bills (CMBs), likely reflecting expectations of easing inflation and lower long-term yields. T-bill yields rose, led by the 63-day CMB (+44.1 bps to 5.052%), while T-bond yields fell sharply, with the 4.1Y FXTN 07-70 lower by 61.4 bps to 6.816% and 9.7Y FXTN 10-74 down 55.0 bps to 7.052%.

## GS Secondary Trading

Secondary trading volume fell 31.9% to P220.5 billion. Activity shifted toward the 1Y–5Y bucket, whose market share rose to 48.9% from 37.1%, while the 5Y–10Y segment dropped to 13.0%. The <1Y bucket also increased its share to 37.2%. Yields were little changed in the 2Y–7Y tenors but declined at the long end, led by the 25Y (-9.35 bps) and 10Y (-4.1 bps), ending at 6.8984% and 6.9280%, respectively.


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

**Outlook**: With stable to lower crude oil prices causing similarly mild yearly changes in inflation, yield movements may continue to be influenced by inflation trends, monetary policy expectations, and market liquidity conditions.

# THE EQUITY PLAY

## Top Five Index Winners & Losers

| Stock | Close as of June 26 | W/W Change |
|---|---|---|
| GTCAP | 499.6 | 11.0% |
| ALI | 15.3 | 5.8% |
| AC | 422.2 | 5.6% |
| AEV | 33.7 | 5.3% |
| URC | 64.0 | 4.9% |
| BDO | 121.0 | -8.5% |
| DMC | 7.6 | -6.6% |
| SCC | 24.0 | -5.1% |
| PGOLD | 40.3 | -4.0% |
| ICT | 885.0 | -3.1% |

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved June 30, 2026 from "Workspace Add-in for Excel"

## PSEi Down as Investors Reprice Risk

The PSEi ticked downwards by -1.03% w/w (prev. +3.81% w/w) to 6,072.24 as Middle East jitters and a hawkish Fed outlook kept investors risk-off and tactical. The market started on the backfoot with lingering Middle East tensions sparking a selloff. The market traded slightly lower thereafter, with technical rebounds meeting risk-averse foreign flows, especially as a firmer Fed rate outlook rattled equities and forex markets, along with emergent AI fatigue in the U.S.

Trading volumes came down by -13.54% w/w to just P44.2-B as market participants made light tactical moves. Foreigners exited the market, with net foreign selling reaching P2.14-B (prev. P1.75-B net buying) as funds navigated emerging risk. Most sectors ended in the red, with sectoral rotations favoring Holdings (+2.11% w/w) and Property (+1.58% w/w) while hurting Financials (-3.59% w/w) and Mining & Oil (-9.62% 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:** The index may continue to trade within a range in the absence of significant market catalysts, with investor activity possibly selective across sectors rather than broadly directional. Market sentiment may improve as clearer signs of domestic economic recovery emerge, including firmer growth and moderating inflation, alongside a more stable external environment. In the meantime, participants may be attentive to incoming economic data, Q2 earnings, and policy developments.

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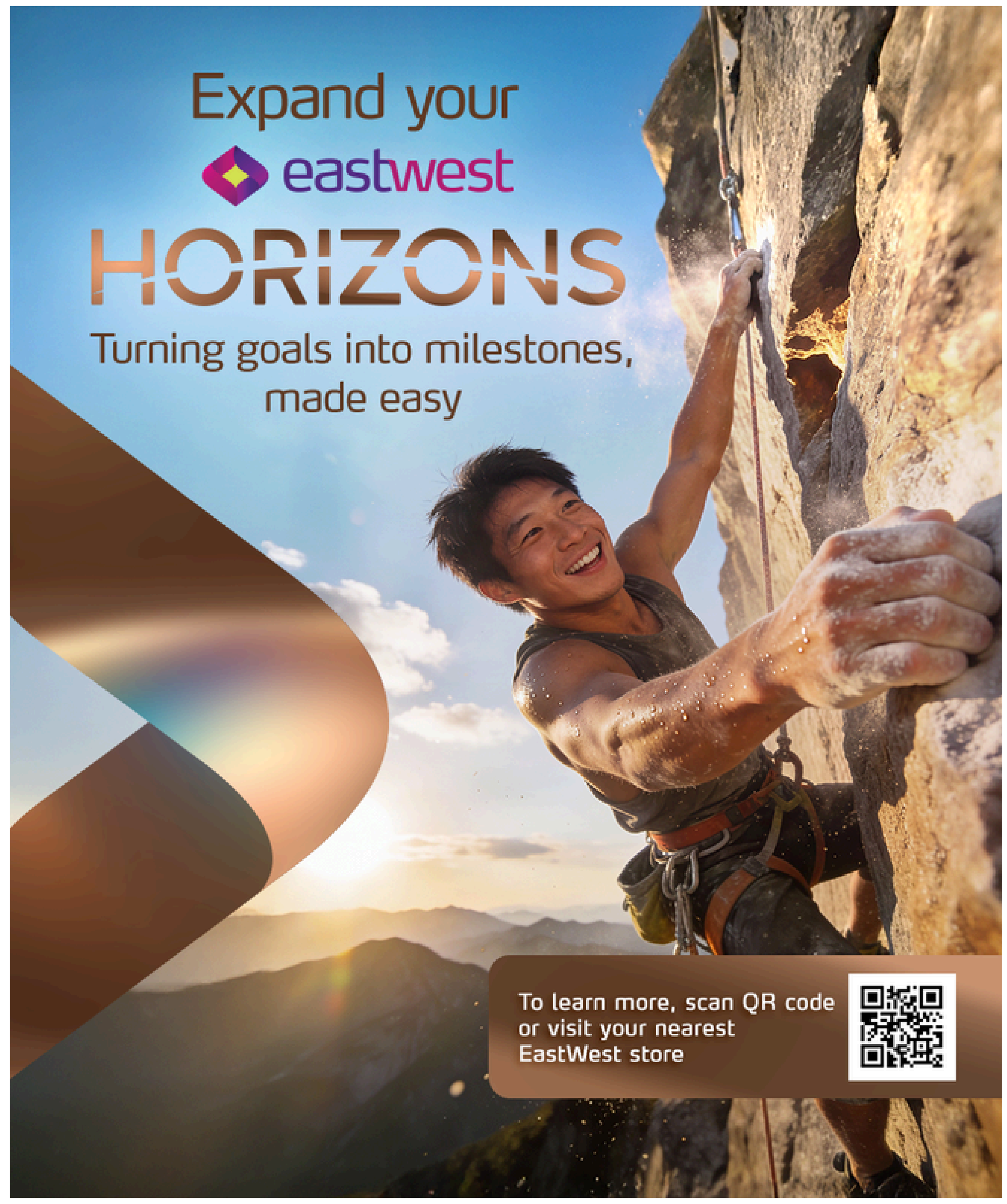
## OUR OUTLOOK

1. Window dressing may continue to influence equity market activity.
2. June inflation data may influence bond market sentiment.
3. Equity market movements may continue to be influenced by post-window dressing activity and broader market developments.
4. Local bond yield movements may continue to reflect inflation expectations and monetary policy developments.
5. In foreign markets, attention may continue to focus on developments in the technology and AI sectors.

This product feature is separate from and not influenced by the market commentary shown.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and what would you like to see next week?