Economic Watch

eastwest

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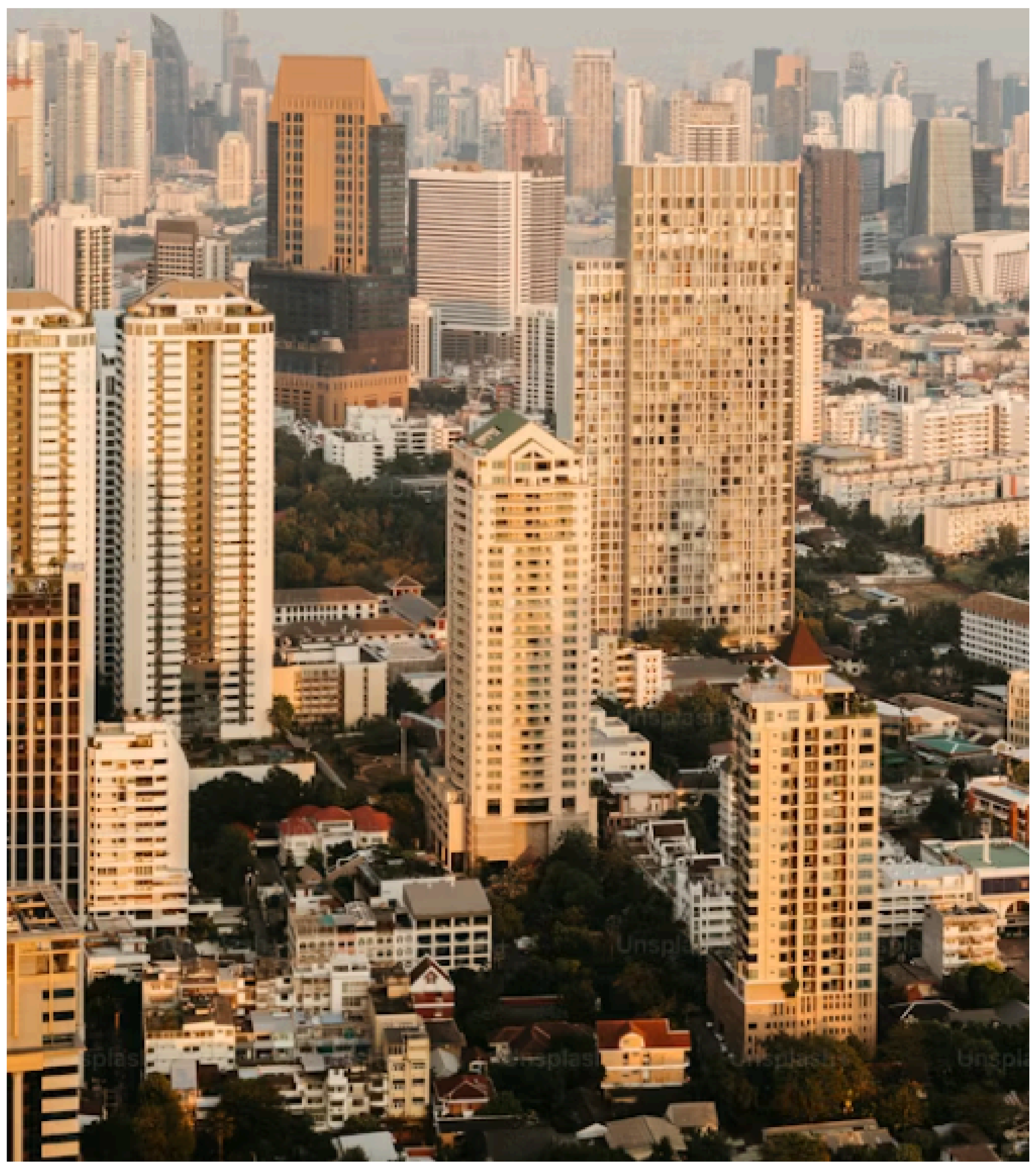
THE LOCAL READ



Source: XT7 Core. (2025, January 13). A view of a city with tall buildings [Photograph]. Unsplash. https://unsplash.com/photos/a-view-of-a-city-with-tall-buildings-9h6MOD8z628

Manufacturing PMI Edges Up; June Inflation in Focus; NCR Minimum Wage Hike Enacted

The Philippine manufacturing sector improved slightly in June, with the S&P Global Philippines Manufacturing PMI edging up to 50.9 from 50.8 in May. Stronger domestic demand lifted new orders and output, while export order declines eased. Cost pressures stayed high as input prices and supply chain frictions led firms to raise prices, with manufacturers increasing raw materials purchases for the first time in four months. Still, business sentiment improved on expectations of stronger demand and sustained output growth over the next year.

Meanwhile, the Bangko Sentral ng Pilipinas (BSP) expects June headline inflation to settle within the 6.0%–7.0% range, suggesting that inflation may have eased from May's 6.8% but remained elevated above the BSP's 2%–4% target range. Softer domestic fuel prices and lower prices of key food items (e.g rice and meat), are expected to help moderate inflationary pressures while higher utilities and vegetable prices add upside pressure. The June inflation reading will be released by July 7.

The Department of Labor and Employment (DOLE) also approved an P85 minimum wage hike seen to benefit more than a million Metro Manila workers, though also sparking concerns of added cost pressures for MSMEs. DOLE's Wage Order No. 27 mandates its implementation in two tranches: P60 by July 19, and P25 on January 20 next year.

Outlook: We think the June inflation print may land within BSP's forecast range following easing oil prices borne out of productive Middle East talks. However, local oil prices remain elevated compared to pre-crisis levels and second-round effects in tertiary sectors continue building. The recent minimum wage increase will also add inflation pressure from the July print onwards.

Article Sources: Tabile, J. I. (2026, July). Philippine manufacturing PMI improves in June - BusinessWorld Online. BusinessWorld Online. https://bworldonline.com/top-stories/2026/07/02/760524/philippine-manufacturing-pmi-improves-in-june/
Villanueva, G. (2026, July). Dole approves "historic'' P85 wage hike for NCR workers. INQUIRER.net. https://newsinfo.inquirer.net/2255703/dole-approves-historic-p85-wage-hike-for-ncr-workers
Nicolas, I. (2026, July). BSP: Inflation likely eased in June to 6-7%. INQUIRER.net. https://business.inquirer.net/598120/bsp-inflation-likely-eased-in-june-to-6-7

GLOBAL LENS

Image Source: Harb, C. (2024, September 19). A factory with a lot of red and white pipes [Photograph]. Unsplash. https://unsplash.com/

Improved Tanker Flow Pushes Crude Below $70/Barrel; U.S. Jobs Softer than Expected

- On the back of continued negotiation efforts, the WTI crude oil benchmark dropped to roughly $68/bbl last week. Daily tanker flows have somewhat normalized to pre-war levels under the 60-day ceasefire, with some analysts now raising oil oversupply risks into the near future.

- In the U.S., jobs growth proceeded well below expectations, with the economy adding +57,000 jobs against estimates of +110,000 and below average +180,000. This latest release tempered Fed hike expectations, with U.S. and regional equities markets up last week.

- **Outlook:** The weaker-than-expected U.S. job report eased worries of a Fed hike, which may give global equities markets some breathing room. Barring a renewed escalation in geopolitical tensions, lower energy prices and easing monetary policy expectations may continue to support market sentiment in the near term.

Article Sources: **Marsi, F. (2026, July 2). With Hormuz reopened, has the oil shortage turned into a glut? Al Jazeera. https://www.aljazeera.com/news/2026/7/2/with-hormuz-reopened-has-the-oil-shortage-turned-into-a-glut
Cox, J. (2026, July 2). U.S. job creation cools in June with payrolls growth of just 57,000; unemployment rate at 4.2%. CNBC. https://www.cnbc.com/2026/07/02/jobs-report-june-2026-.html**

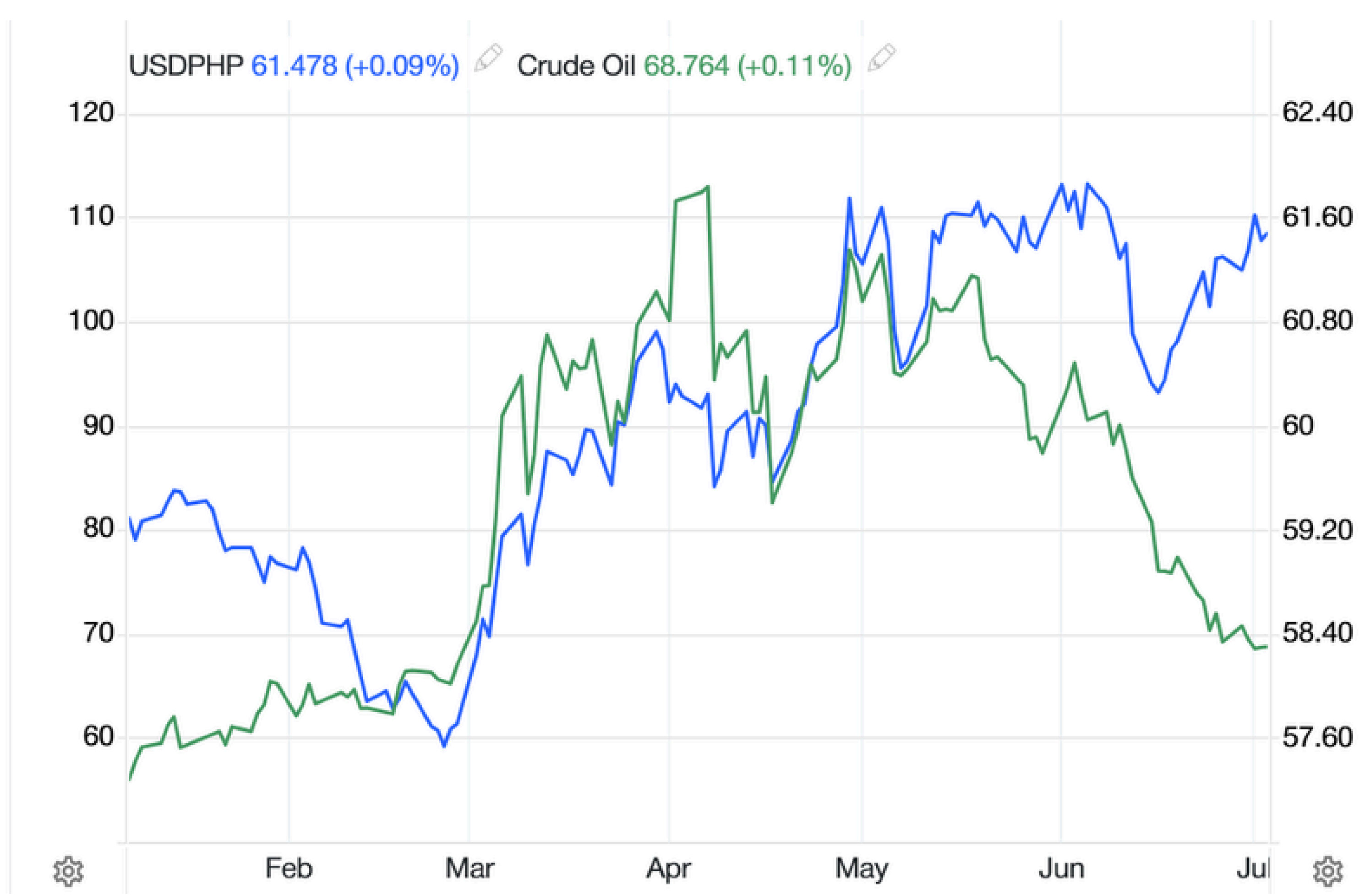
FOREX FOCUS

Peso-Dollar Rate Softens as Dollar Strengthens

Jonsson, F. G. (2022, April 16). A roll of one hundred dollars sitting on top of a wooden table [Photograph]. Unsplash. https://unsplash.com/

The trend for the week returned to a depreciation mode compared to the opposite in the previous week, as the U.S. dollar (DXY) remained elevated.

Traders closed positions as June ended, and while firms demand took advantage of lower opening FX rate from the lows of the previous week. Average daily trading volume, however, slid by -26.1% w/w to $1.5-B with the start of July. USDPHP capped week with a +0.2% w/w gain to P61.415/$., but after it hit a an 8-day high of P61.621/$ in End-June. The peso ended lower by Friday as U.S. reported weak job gains in June and with it a soft DXY slide. USDPHP had a similar trading range as a week ago at P0.451.



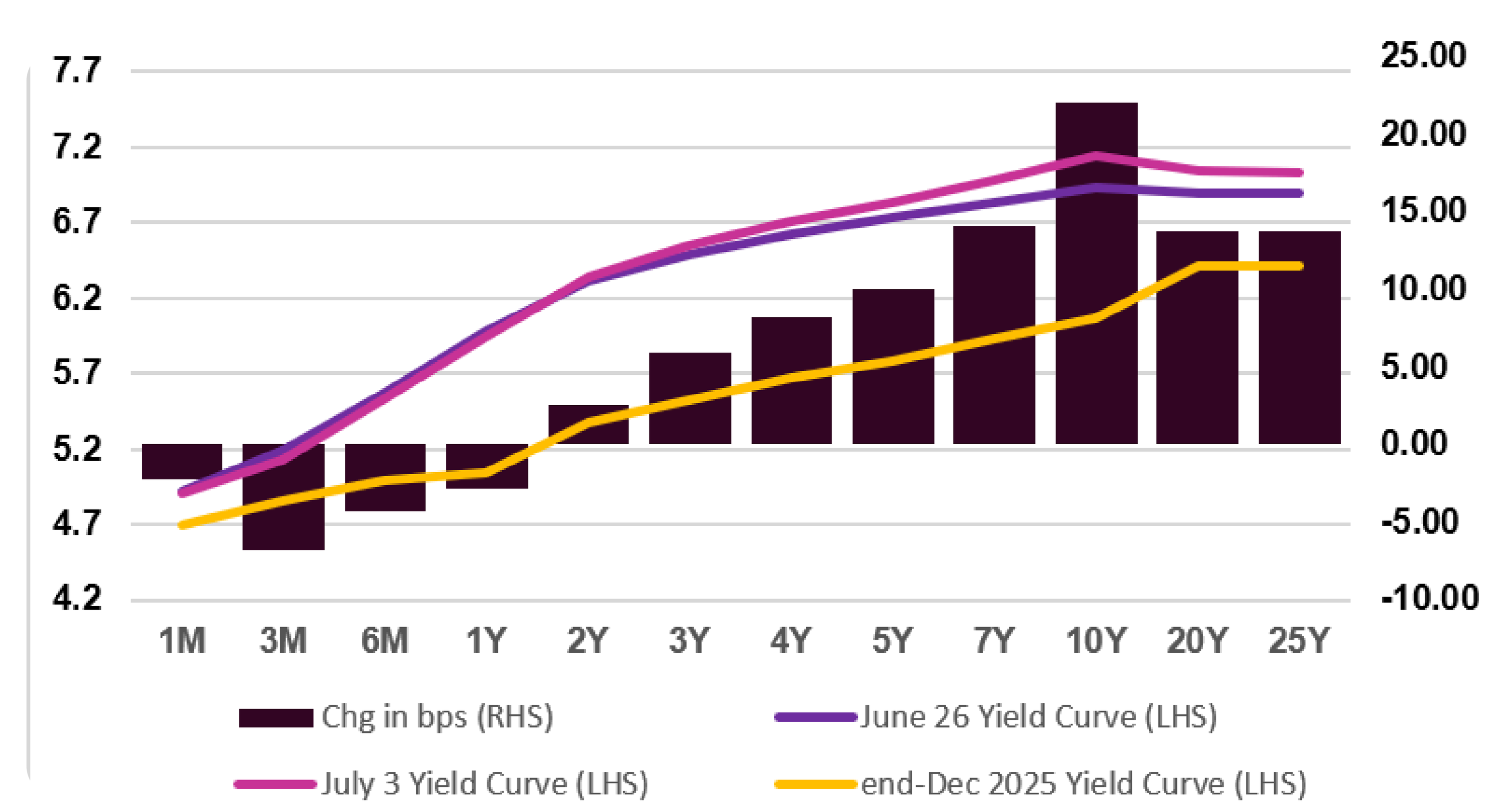
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

Outlook: After full adjustment to the U.S. dollar movements this coming week, the local inflation print may influence movements in the peso alongside external market developments.

THE BOND BLUEPRINT

Medium to Long Term Yields up on Inflation Views

As BSP released its forecast June inflation rate at 6.0%-7.0% YoY and the Regional Wage Board of Metro Manila hiked daily minimum wage by P85.00, yields in the bond market headed north except for 1Y or less tenors.



Source: Bloomberg, Authors' Calculations

GS Auctions

Expecting still elevated inflation rates in June and beyond, demand focused on short-dated papers. Due to lower Bureau of Treasury (BTr) offering of P120-B compared to P145.0-B in prior week, the Tender-Offer-Ratio improved to 2.0335x from 1.7658x previously. The 364-day Treasury (T-bill) offering by BTr saw good demand resulting in a -6.6 (basis points) bps slide. However, Cash Management Bills (CMB) fetched mildly higher yields with 35-day papers gaining by 5.9 bps to 4.797%, while 91-day T-bills inching up by 2.9 bps to 5.245%. The lone Treasury bond (T-bond) 3.3Y (FXTN 07-68) offering of P30.0-B had respectable demand which plunged yields by -72.7 bps to 6.580%.

GS Secondary Trading

Despite a 25.2% jump in weekly trading volume to P276.0-B, investors went for shorter tenors as interest rates generally moved up. 6M-1Y buckets gained by 10.8% points market share to 14.8%. We saw a selloff in the 7Y-10Y space with a 5.4% hike in market share to 13.7% but at the cost of yield upswings. Investors demanded double-digit and progressively higher yields from 5Y (+10.1 bps to 6.8291% to +13.8 bps for 20Y (to 7.0377%. The 10Y benchmark yield returned to above-7% levels with a 33.0 bps uptick to 7.1482%. In the <=1Y space yields mildly slipped by -2.84 bps for 1Y (to 5.9477%) to -6.83 bps (for 3M to 5.5307%), as higher demand pushes up bond prices and drives yields lower (i.e., inverse price-yield relationship).

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

Outlook: The specter of above-target inflation, especially with wage increase, may put an upward pressure on yields, even in the short end. More supply will also play a part as BTr plans to increase its T-bill offerings in Q3 by 62.5% to P700.0-B (from 46.4% in Q2), while keeping long-dated bonds steady at P420.0-B. This also reflects BTr's view that inflation should decelerate later in H2 with softer crude oil prices and only then would it cut reliance on T-bills. However, it did not indicate plans to issue CMBs.

THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of June 26	W/W Change
AC	480.8	13.9%
JFC	145.8	10.9%
ACEN	3.1	4.7%
GLO	1,885.0	4.7%
TEL	1,171.0	3.8%
SCC	22.1	-7.9%
PLUS	11.7	-5.3%
CNVRG	9.9	-3.3%
SMC	67.3	-2.9%
DMC	7.4	-2.6%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved July 5, 2026 from "Workspace Add-in for Excel"

PSEi up on Improved Risk Sentiment

Over the week ending July 3rd, the PSEi rose 1.91% w/w to close at 6,188.03, extending its gains as buying interest improved across most sectors. The local bourse initially saw a healthy lead on better regional sentiment surrounding softer oil prices. This gave way as a lack of fresh catalysts and end-quarter portfolio adjustments kept the market down by midweek. A recovery tide came thereafter, with better Manufacturing PMI, improved geopolitical developments, and spilled over gains from U.S. markets lifting the local bourse.

Total market turnover plunged by -40.0% w/w to P26.5-B, moderating from last week's selling posture. Foreign investors remained net sellers, with net foreign selling amounting to P171.1-M, some -92.8% w/w lower than the week earlier. Sectoral performance was broadly positive, led by Services (+2.74%) and Financials (+2.21%), followed by Mining & Oil (+1.60%), Holding Firms (+1.46%), Industrial (+0.76%), and Property (+0.39%). Market breadth turned more constructive with 116 winners to 97 loser and 27 unchanged.

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

Outlook: The local market may trade with attention to the June inflation release on July 7th and the labor force survey on the 8th, giving further guidance on macroeconomic conditions after the height of the Middle East crisis. Signs of continuing economic recovery may continue to influence market sentiment.

OUR OUTLOOK

1. Market participants continue to monitor the upcoming inflation release.
2. Equity market activity may continue to be influenced by fund flows.
3. Local bond movements may continue to reflect inflation and monetary policy developments.
4. Market positioning may continue to evolve as new economic data emerge.
5. An inflation reading lower than market expectations may support improved market sentiment in the near term.

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