# Economic Watch

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## THE LOCAL READ

Source: Milmont, D. (2020, February 9). City skyline during night time [Photograph]. Unsplash. https://unsplash.com/

### June Inflation Softens to 6.4%; May Unemployment Rate Edges Up; Industrial Output Indicators Positive

An encouraging signal came from June inflation slowing to +6.4% (prev. 6.8%), as lower oil prices eased some price pressures for the month. The decline mainly came from inflation in the fuel-sensitive Transport segment at +12.8%, slower than the +16.2% recorded a month back. Food & Non-Alcoholic Beverages (FNAB) inflation similarly slowed to +5.2% from 5.7% previously. However, core inflation (which strips out volatile food and fuel prices) again moved higher to +4.4% to a three-year high, albeit only a little above the 4% ceiling target of BSP..

Meanwhile, a monthly increase in the May labor force led to the unemployment rate edging up to 4.8% (prev. 4.7%). All major sectors welcomed more workers from April to May, indicating a beginning recovery narrative from the recent twin economic shocks. The underemployment rate settled to 12.2% (prev. 15.2%).

Some more positive news came in the form of factory indicators. The May Volume of Production Index (VoPI) growth reading kept at double digits to +10.2% YoY, driven by refined petroleum, electronics, and basic metals manufacturing. Similarly, June S&P Manufacturing PMI increased a tad to 50.9 (prev. 50.8), with new output growth positive for two months now and hiring activity normalizing.

**Outlook:** Recent economic indicators may point to early signs of recovery. Slowing inflation and improving industrial indicators may precede improvements in firms' and households' confidence in local economic prospects. However, many will likely look towards the Q2-2026 GDP reading which bore the brunt of the Middle East oil shock, along with the possible inflation impacts of the recent minimum wage hike and the upcoming El Nino season.

Article Sources: Chan, K. (2026, July 7). Philippines Core Inflation Hits 31-Month High as Headline CPI Eases in June. BusinessWorld Online. https://bworldonline.com/top-stories/2026/07/08/761818/philippines-core-inflation-hits-31-month-high-as-headline-cpi-eases-in-june/
Garcia, J. X. (2026, July 8). Rising unemployment, lower LFPR bug jobs market. BusinessMirror. https://businessmirror.com.ph/2026/07/09/rising-unemployment-lower-lfpr-bug-jobs-market/
Tabile, J. I. (2026, July 7). Manufacturing growth up 10.2% in May, easing from April pace. BusinessWorld Online. https://bworldonline.com/economy/2026/07/07/761836/manufacturing-growth-up-10-2-in-may-easing-from-april-pace/

## GLOBAL LENS

Image Source: Rudolph, W. (2024, November 4). A large ship in the middle of a body of water [Photograph]. Unsplash. https://unsplash.com/

Article Sources: Sabah, Z., Peter, Z., Sharma, Y., Maguire, C., Quillen, S., Marsi, F., & Enes Abuomer. (2026, July 11). Iran war updates: IRGC navy declares Strait of Hormuz closed. Al Jazeera. https://www.aljazeera.com/news/liveblog/2026/7/11/iran-war-live-us-demands-iran-publicly-state-strait-of-hormuz-open-for-all

### U.S.-Iran Ceasefire Over; Strikes Return Amid Ongoing Negotiations

An eventful week for geopolitics went by as President Trump declared the 60-day ceasefire "over", with both sides resuming military operations after Iran's IRGC attacked a commercial vessel and re-closed the Strait of Hormuz. Tanker traffic reportedly went down on heightened tensions. WTI crude oil prices moved up by around four percent to the $71/barrel mark as markets priced in larger risk premia, albeit way below the $88/barrel levels before the ceasefire.

Despite these developments, technical talks are ongoing between the U.S. and Iran towards a peace deal. News of an OPEC+ output hike also moderated potential oil price gains.

**Outlook:** The geopolitical outlook remains fluid, with renewed military activity and disruptions to tanker traffic contributing to elevated risk premia in oil markets and supporting crude prices in the near term. However, ongoing technical discussions between the U.S. and Iran, record high output in U.S., Latin America, and Africa, alongside the prospect of increased OPEC+ production, could help ease supply concerns and limit further upside in prices. Overall, market sentiment may continue to be influenced by geopolitical developments as participants monitor diplomatic and supply-side developments.

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## FOREX FOCUS

### Peso-Dollar Sideways on Information Flows


Image Source: Blogging Guide. (2020, August 2). 100 US dollar bill [Photograph]. Unsplash. https://unsplash.com/

USDPHP has remained flattish at the P61.30/$ to P61.60/$ range for 2nd week in a row, as U.S. dollar strength moved inversely to weaker crude oil prices.

The FX rate tracked more closely U.S. dollar movements during the July 6-10, 2026 week. The U.S. dollar mildly slid by -0.2% while the peso-dollar rate closed at P61.515/$, a modest 0.16% w/w depreciation with a very narrow range (of closing rates) of just P0.09 compared to P0.45 a week earlier. Average daily trading volume slumped further by -18.1% w/w, sliding anew from -26.1% in the prior week. Firms and traders kept a wait-and-see posture as directional changes seemed unclear. Two main factors with different trajectory implication kept players undecided: The 60% implied probability (per LSEG OIS rates) of a 25 bps policy rate hike by BSP in its August meeting may push down the FX rate while U.S. dollar strength and higher interest rates would pressure it upwards.

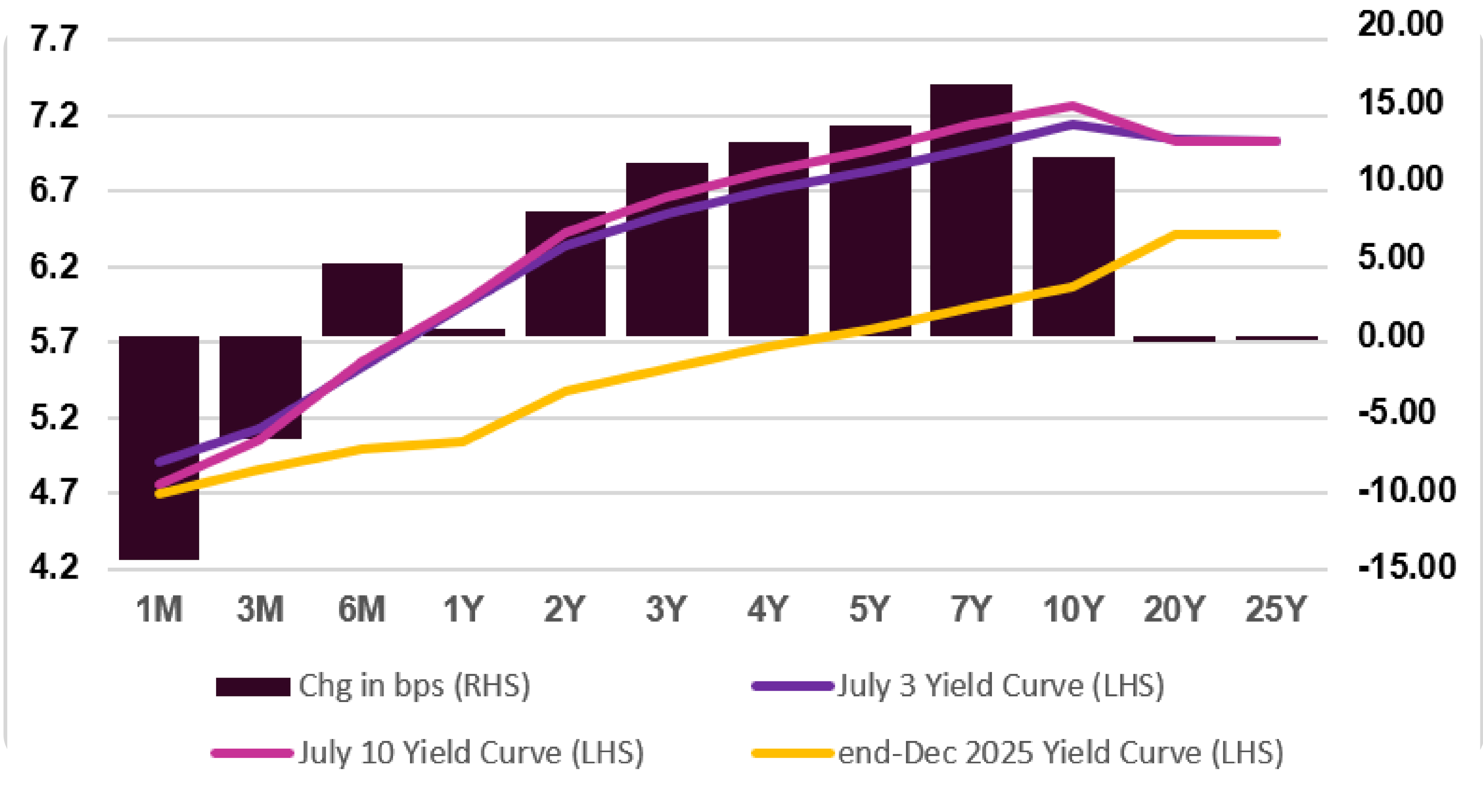

Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

**Outlook:** USDPHP movements may continue to be influenced by developments in the Middle East, the country's trade position, and monetary policy expectations. Renewed hostilities and the elevated trade deficit may continue to influence movements in the peso-dollar exchange rate.

## THE BOND BLUEPRINT

### Secondary Market Yields Hike on Medium-Term Risks

Yields took different directions in auctions (down) and secondary markets (up).




Source: Bloomberg, Authors' Calculations

## GS Auctions

With a 25% tumble in Bureau of Treasury (BTr) offerings to P90.0-B from P120.0-B a week ago, the Tender-Offer-Ratio (TOR) improved to 2.330x from 2.034x previously, with little variation in the TORs for Treasury bills (T-bills) and Treasury bond (T-bond) auctions. Yields dropped moderately for T-bills with 91-day papers leading the fall with -10.2bps to close at 5.143% as it registered highest TOR among the 3 T-bill offerings. The 364-day bills slipped by a tad -0.4 bps to 5.964%. On the other hand, the lone 5Y (FXTN 20-17) yield plunged by -53.1 bps 6.869% after reaching 7.40% just a month ago on June 2, with the latter an overreaction to volatile crude oil prices then.

## GS Secondary Trading

As U.S. Treasury 10Y yields climbed and the BSP Governor signaled the economy could absorb another rate hike, trading volume fell 13.3% w/w to ₱239.3 billion. Activity shifted toward the 5Y–7Y segment as its trading share rose 9.4%, largely at the expense of the 3Y–5Y and 7Y–10Y buckets. Yields generally moved higher, led by the belly of the curve: 7Y yields jumped 16.2 bps to 7.1413%, followed by the 5Y (+13.5 bps to 6.9642%), 4Y (+12.5 bps to 6.8365%), and 10Y (+11.5 bps to 7.2634%). Despite the increase, the 10Y yield remained below this year's peak of 7.8094% recorded on May 20.


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

**Outlook**: With an implied 60% probability of a 25 bps BSP rate hike in August combined with an 8.6% increase in the daily minimum wage starting July, yield movements in the 5Y and longer tenors may continue to reflect inflation and monetary policy expectations. In addition, higher long-dated U.S. Treasuries may continue to influence yield movements from the belly to the long end of the curve. Market participants may continue to favor shorter tenors amid prevailing market conditions.

# THE EQUITY PLAY

### Top Five Index Winners & Losers

| Stock | Close as of June 26 | W/W Change |
|---|---|---|
| ICT | 985.0 | 7.9% |
| CNPF | 32.5 | 5.5% |
| ALI | 16.0 | 3.6% |
| BPI | 103.0 | 2.0% |
| EMI | 15.6 | 1.3% |
| CNVRG | 9.2 | -7.1% |
| PGOLD | 39.3 | -5.0% |
| GTCAP | 471.0 | -4.1% |
| GLO | 1,810.0 | -4.0% |
| URC | 61.2 | -3.6% |

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved July 12, 2026 from "Workspace Add-in for Excel"

## Improving Indicators Push PSEi Upside

With investors reassessing the Philippine macro backdrop, the PSEi rose +1.59% w/w to close at 6,286.70. The index traded with incremental gains in the beginning of the week, supported by the more constructive inflation reading and foreign buying, possibly warming up due to the country's newfound Upper-Middle Income Country (UMIC) status. Profit taking amid resurgent Middle East tensions ensued, but the local bourse eventually held on to gains.

Market turnover grew by +22.52% w/w to P32.49-B, as investors capitalized on improved sentiment. Foreign investors returned as net buyers for all trading days of the week, totaling P3.62-B from their P9.90-M net selling posture a week back. Despite the overall uptick, most sectors ticked down, suggesting gains were more concentrated. Services took pole by +4.98% w/w, followed by Financials (+0.43% w/w). Meanwhile, Holdings (-1.29%) and Mining & Oil (-0.29%) trailed behind. Market breadth turned more neutral, with 102 gainers to 101 losers and 38 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 equities market may trade with an eye to renewed U.S-Iran tensions. So far, oil prices appear to have only moved slightly north of $71/bbl, which may contain a rout. Meanwhile, excitement about the Mynt IPO slated for Q4-2026 may engage more market participants in the interim.

## OUR OUTLOOK

1. **Market volatility may remain elevated amid renewed Middle East tensions.**
2. **Equity market sentiment may remain cautious.**
3. **Bond yields may continue to reflect inflation and monetary policy developments.**
4. **Higher oil and electricity prices may weigh on market sentiment.**



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