Economic Watch

eastwest

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THE LOCAL READ

Source: Waranont (Joe). (2019, January 16). High angle photo of buildings [Photograph]. Unsplash. https://unsplash.com/

YTD Remittances up 2.5% in May; Pump Price Hikes on the Horizon

According to the latest data released by the Bangko Sentral ng Pilipinas (BSP), cash remittances from Overseas Filipino Workers (OFWs) reached $2.71 billion in May, some 2.0% year-on-year (y/y) higher. This brought cumulative cash inflows for the first five months of the year to $14.11 billion, up by +2.5% on a YTD basis. Historically, OFW remittances grow by around 3.0% YoY. Remittance growth may have softened as OFWs grapple with higher living costs in host countries while the weaker peso reduces the need for larger dollar transfers to home.

Meanwhile, motorists are potentially looking at new fuel price increases as re-flaring tensions in the Middle East push global oil prices higher. Pump prices are expected to reflect the impact of higher global oil prices, with diesel and gasoline adjustments subject to final industry announcements.

Outlook: The Philippines could face faster price increases for everyday goods due to a combination of new tensions in the Middle East, a potentially harsh El Niño season, and recent minimum wage hikes. As a result, price drops at the gas pump might happen more slowly than expected, which could temporarily stretch family budgets. However, money sent home by overseas workers may continue to support daily household spending, potentially helping families handle these shifting living costs.

Article Sources: Chan, K. (2026, July 15). OFW cash remittances slump to a one-year low in May. BusinessWorld Online. https://bworldonline.com/top-stories/2026/07/16/763532/ofw-cash-remittances-slump-to-a-one-year-low-in-may/
Esmael, L. K. (2026, July). Big fuel price hikes loom due to US-Iran war flare-up. INQUIRER.Net. https://business.inquirer.net/600816/big-fuel-price-hikes-loom-due-to-us-iran-war-flare-up

GLOBAL LENS

Image Source: Nordli-Mathisen, V. (2023, May 27). A large navy ship in the water near a marina [Photograph]. Unsplash. https://unsplash.com/

Article Sources: Keenan, C. (2026, July 19). US and Iran trade fire after two US soldiers killed in Jordan [Review of US and Iran trade fire after two US soldiers killed in Jordan]. BBC. https://www.bbc.com/news/articles/cgk417jp83po
Chapman, M. (2026, July 18). America In Focus: US inflation cooled in June, but AI build-out poses latest threat. AP News. https://apnews.com/article/inflation-economy-iran-trump-unemployment-ai-c8ed0b54d80fe1bdaa5edcef671e6608

Casualties Logged in Fresh Round of Middle East Strikes; U.S. Inflation Softer than Expected

A fresh flareup in U.S.-Iran tensions past the 60-day ceasefire MOU resulted in U.S. casualties, after Iranian media claimed the U.S. struck an under-construction nuclear power plant. Iran retaliated against U.S.-aligned neighbors and maintains its closure of the Strait of Hormuz. Despite these developments, WTI crude oil prices closed only marginally higher at around $82/bbl as other countries ramp up oil production.

In the U.S., some financial market pressure was relieved as headline inflation softened to 3.5% in June (prev. 4.2%), below market analysts' 3.8% expectation as fuel-based inflationary pressures weakened. The CME FedWatch tool kept an 86.7% probability of a rate hold for the Fed's June meeting, where some hawkish FOMC members have gained traction.

Outlook: Global financial markets are managing a delicate balance between fresh geopolitical risks and monetary policy direction in the U.S. Although a sudden escalation in U.S.-Iran tensions and the closure of the Strait of Hormuz present notable regional concerns, global oil prices have held relatively steady around $82 a barrel as other nations boost their oil production. Meanwhile, the drop in U.S. inflation to 3.5% has offered some relief to investors. Market sentiment may continue to be influenced by developments in energy supplies and central bank policy, alongside evolving geopolitical conditions.

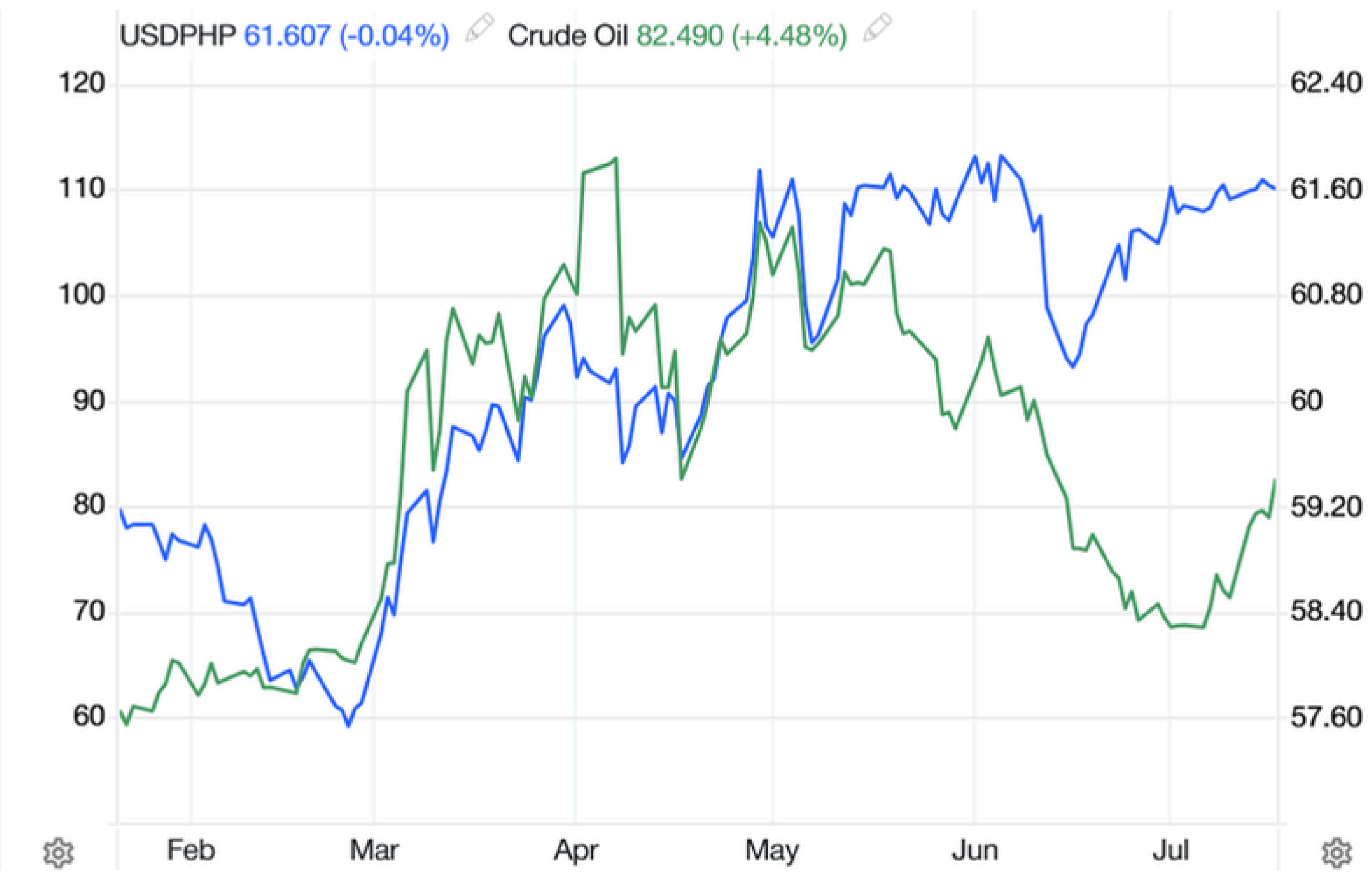
FOREX FOCUS

Mild Upside for the Peso Dollar Despite Middle East Flareup

Despite crude oil prices renewed 15.4% w/w rise to above-$80/barrel (WTI), the U.S. dollar only mildly weakened, while USDPHP had a minimal uptick.

The peso-dollar rate edged up by 0.12% to close the week at P61.587/$ with closing trading range of P0.054, even narrower than P0.086 previously. It seems that the local market gave more importance to the domestic impact of the strong rebound in crude oil prices. Also, traders still mull over the impact of the likely BSP 25 bps policy rate hike in August and contributed to the sideways movement. Average trading volume reflected this wait-and see mood as it slumped by -10.2% w/w to $1.1-B from $1.2-B earlier.

Image Source: McArthur, J. (2020, June 2). 10 and 20 US dollar bill [Photograph]. Unsplash. https://unsplash.com/



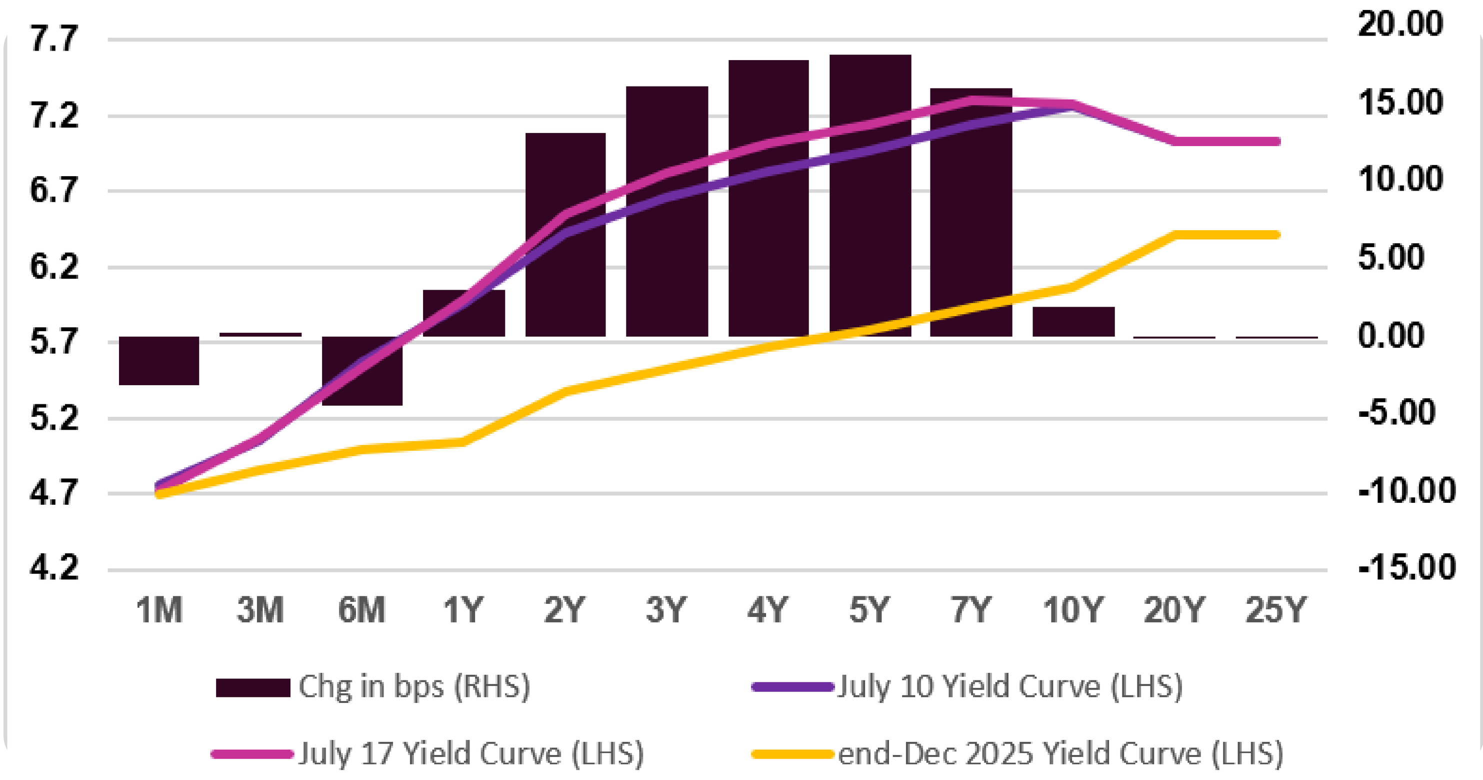
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

Outlook: Developments in crude oil prices, geopolitical conditions in the Middle East, and the inflation impact of the recent minimum wage increase may continue to influence movements in the USDPHP exchange rate.

THE BOND BLUEPRINT

Bond Selloff Hits Belly and Tail

Investors retreated from the bond market in the week as higher minimum wage esp. (in Metro Manila) and robust rebound in crude oil prices proved formidable against risk-taking.



Source: Bloomberg, Authors' Calculations

GS Auctions

Despite an equal amount (P90.0-B) offered by Bureau of Treasury (BTr), Tender-Offer-Ratio (TOR) tumbled to 1.602x from 2.330x previously. This came primarily from the poor reception of 7.1Y (FXTN 10-71) which had a TOR only of 0.602x, resulting in a full rejection of tenders. Yields took different directions as 91-day and 182-day Treasury bills (T-bills) slipped by -4.2 bps to 5.097% and -2.2 bps to 5.707%, respectively. Moving sideways the 364-day T-bills edged up by 0.8 bps to 5.972%.

GS Secondary Trading

Traders shied away from the secondary market as higher inflation expectations plunged trading volume down by -30.2% w/w to just P167.0-B, the weakest turnover in six weeks. Activity shifted towards the 1Y-3Y segment (11.95%) and the 7Y-10Y space (19.97%), away from the 3M-6M (27.45%) and 3Y-5Y (13.44%) buckets. Yields moved up by an average of 6.525 bps, led by belly: the 5Y (+18.17 bps to 7.1460%), 4Y (+17.75 bps to 7.0140%), and 3Y (+16.03 bps to 6.8199%).

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

Outlook: For local bonds, yield movements may continue to reflect developments in crude oil prices, inflation trends, and monetary policy expectations. Local inflation developments may continue to influence movements in longer-dated yields.

THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of June 26	W/W Change
CNVRG	9.9	7.7%
TEL	1,250.0	7.5%
AC	508.5	6.8%
ALI	17.0	6.3%
SMC	68.0	4.6%
SCC	20.3	-7.1%
CNPF	31.6	-2.8%
MONDE	6.8	-2.3%
PLUS	11.2	-1.4%
EMI	15.4	-1.2%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved July 19, 2026 from "Workspace Add-in for Excel"

More Upside for the PSEi on Improving Conditions

The PSEi extended gains by +1.87% w/w to close at 6,404.11, moving above the 6,400 threshold. Trading was initially more cautious as investors monitored the Middle East situation and newfound AI fatigue, but the index moved higher with softer-than-expected U.S. inflation and relatively contained fuel prices thus far.

Market turnover lodged higher by +23.16% w/w to P40.01-B, with buying activity firing across all cylinders. Foreign investors were net buyers for all but one trading day last week, culminating in a net P889.66-M weekly buying posture (prev. P3.62-B). Among sectors, Property led the charge (+3.32% w/w) along with Holdings (+2.24% w/w). Meanwhile, Mining & Oil (+0.43% w/w) and Industrials (+0.02% w/w) trailed behind. Market breadth turned slightly more positive at 111 gainers to 104 losers and 28 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 bourse may consolidate keeping geopolitical tensions, inflation expectations, peso weakness, and the Q2 earnings season in mind, with some big banks' earnings briefings slated for the rest of the month. Tracking conservative earnings guidance from the previous quarter, markets may be pricing in subpar earnings calls for the first half of the year.

OUR OUTLOOK

1. Q2 earnings reports may provide further direction for equities.
2. Developments in the Middle East remain a key market consideration.
3. Higher energy prices may add pressure on the peso.
4. Attention remains on the latest inflation data.
5. Equity and bond markets may remain driven by prevailing market conditions.

The Philippines' Best for Discretionary Portfolio Management
Euromoney Private Banking Awards 2025-2026

Outstanding Client Experience in Wealth Management
Global Private Banking Innovation Awards 2025-2026

Best Private Bank
FinanceAsia Awards 2026

Best Priority Banking Experience
International Finance Magazine Awards 2023-2025

Best Private Bank
Global Finance 2024-2025

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