Economic Watch

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

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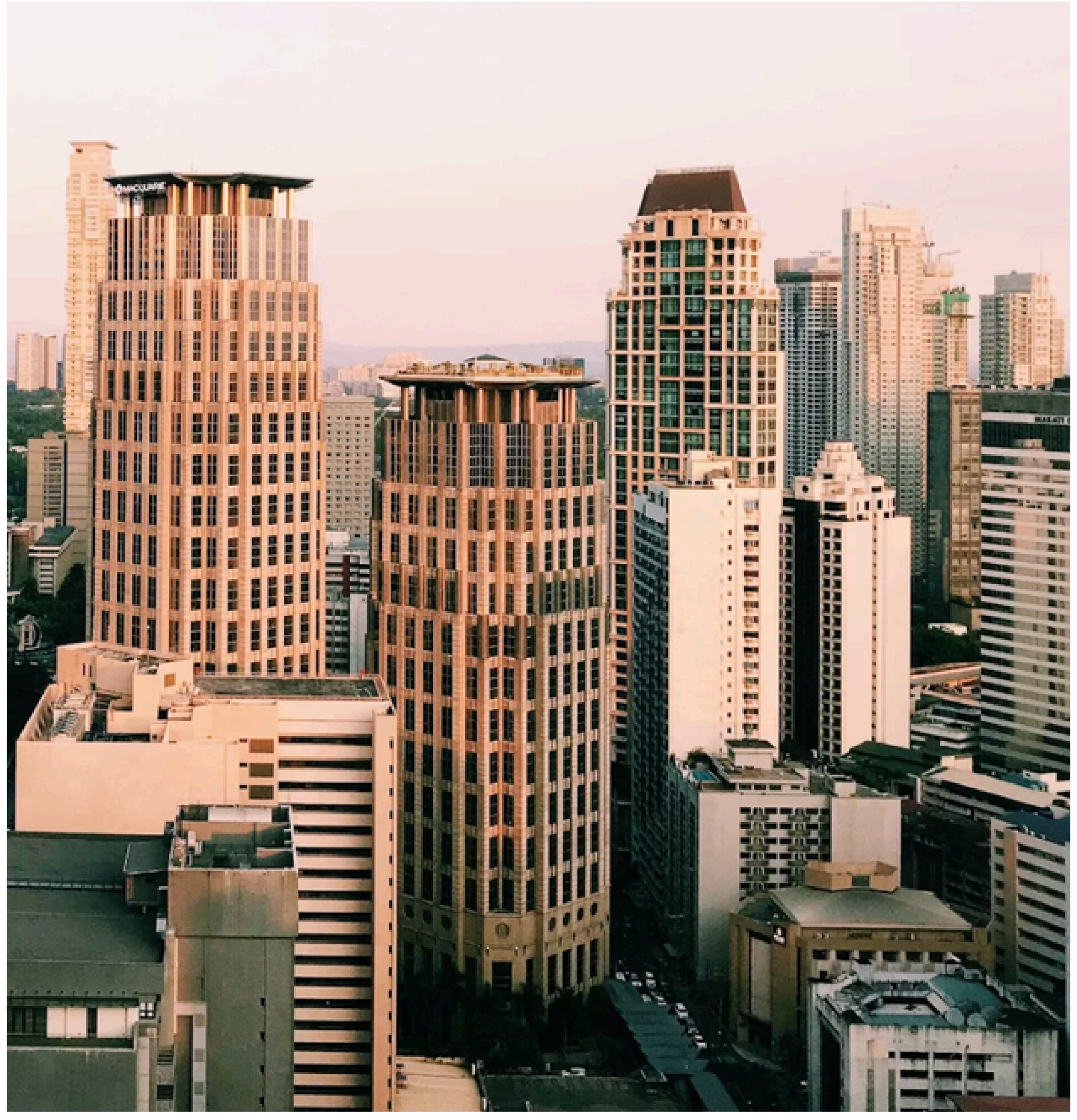
THE LOCAL READ



Source: Gerard, A. (2020, August 13). high rise buildings during daytime. Unsplash; Unsplash. https://unsplash.com/photos/high-rise-buildings-during-daytime-Z-pd4ztH5Oo

New 12.5% Tariff Imposed on PH Exports; NG Expenditures up by +5.5% in June

The U.S. imposed a 12.5% tariff on Philippine exports, replacing an expiring 10% baseline levy, as part of a broader trade measure covering 60 partners including the European Union, Taiwan, and Canada. The tariff was tied to claims that affected countries failed to curb imports produced through forced labor. In response, the national government formed an inter-agency committee tasked with investigating and banning forced-labor imports.

In June, the Philippine budget deficit widened by +9.39% y/y to P264.3-B as expenditure growth outpaced revenue gains. Total spending rose by 5.51% to P578.7-B, driven by local tax allotments, state subsidies, transport infrastructure, and an 8.73% increase in interest payments to P62.4-B. Crucially, NG Operational and Capital Spending declined by -0.5% y/y, indicating soft infrastructure disbursements. Subsidy spending jumped by +122.34% y/y as the government funded additional social assistance programs. Meanwhile, revenues grew by a modest 2.46% to P314.5-B as the +6.86% rise in tax collections to P299.3-B, led by BIR (+5.07%, P210.7-B) and Customs (+11.88%, P86.2-B), was partly offset by a -43.53% drop in non-tax revenues to P15.1-B due to earlier dividend timing.

Outlook: The new tariff on Philippine exports may weigh on trade performance once implemented, while infrastructure spending may improve in the second half, albeit at a potentially slower disbursement pace than expected. Second-quarter GDP growth may also ease from the first quarter, reflecting the impact of heightened Middle East tensions during the period.

Article Sources:Cruz, B. (2026, July 24). Trump imposes 12.5% 'Forced labor' tariff on philippine exports. BusinessWorld Online. https://bworldonline.com/top-stories/2026/07/24/765738/trump-imposes-12-5-forced-labor-tariff-on-philippine-exports/
Tabile, J. (2026, July 23). NG budget deficit widens in June. BusinessWorld Online. https://bworldonline.com/top-stories/2026/07/24/765607/ng-budget-deficit-widens-in-june/

GLOBAL LENS

Image Source: Nordli-Mathisen, V. (2023, May 27). a large military ship in the middle of a body of water. Unsplash; Unsplash. https://unsplash.com/photos/a-large-military-ship-in-the-middle-of-a-body-of-water-c7cx5ThfwSE

Article Sources: Al Jazeera Staff. (2026, July 24). Saudi Arabia strikes houthi-held hodeidah, yemeni group says. Al Jazeera. https://www.aljazeera.com/news/2026/7/24/saudis-strike-yemens-houthi-held-hodeida-rebel-media
Race, M. (2026, July 23). US imposes tariffs on dozens of trade partners over "forced labour" imports. BBC. https://www.bbc.com/news/articles/cvgj61j6l08o

Middle East Conflict Resumes; Oil Back to $90/Barrel; New U.S. Tariffs

- Resurgent U.S.-Iran strikes and the Strait of Hormuz under closure once more saw our WTI oil benchmark swing back sharply towards the $90/bbl level, a +34.9% jump since July 1st. Saudi Arabia and Yemen's Houthi-led sites also traded blows, along with Israeli military personnel launching new attacks in Gaza.
- New sweeping tariffs issued late in the week surprised U.S. trading partners. The U.S. set 10-12.5% tariffs on 60 of its trading partners, accounting for more than 99% of all U.S. imports. The U.S. Trade Representative attributed this move to inadequate forced labor monitoring in its trade partners, such as the U.K., the European Union, and China. Experts suggest that the Trump administration aims to replace the reciprocal tariffs that the U.S. Supreme Court had previously struck down.
- **Outlook:** Market sentiment may remain sensitive to escalating Middle East geopolitical tensions, energy supply concerns, and movements in sovereign yields. These developments may continue to influence market conditions in the near term.

FOREX FOCUS

Peso Dollar Rate Slides to Record Low on Inflation Woes

USDPHP sustained a mild upswing due to the sharp rise in crude oil prices, and likely faster inflation.

More than dollar strength, anxiety over the above factors kept robust local firm demand amid weak US$ inflow (e.g., seen in OFW remittances). Thus, the FX rate climbed by 0.3% m/m to P61.875, a new record. The closing FX rate range widened moderately to P0.13, more than double P0.05 previously. Average daily trading remained tepid with a -5.2% m/m slide to $1.0-B from $1.1-B previously.

Image Source: engin akyurt. (2022, March 16). a pile of money with a bitcoin sitting on top of it. Unsplash; Unsplash. https://unsplash.com/photos/a-pile-of-money-with-a-bitcoin-sitting-on-top-of-it-iUDZ79JHf58

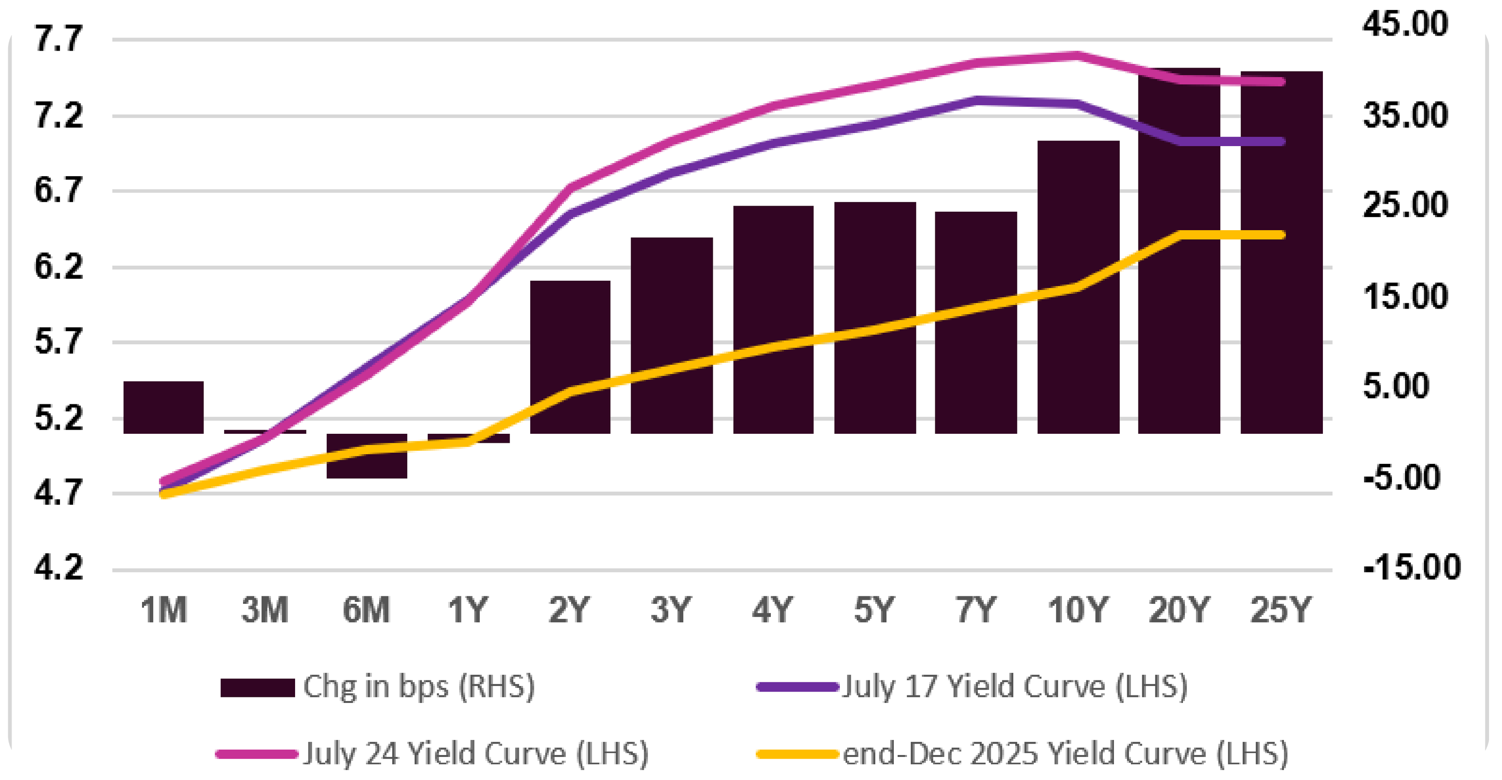
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

Outlook: Market participants appear cautious around the P62/$ level and may remain attentive ahead of the latest inflation data. They are also monitoring the possibility of BSP intervention to help manage exchange rate volatility. Slower OFW remittances (see previous issue) may have contributed, while crude oil price movements may increasingly influence the USDPHP rate.

THE BOND BLUEPRINT

Bond Market Participants Turn Risk-Off

The resurgence of crude oil prices due to resumption of hostilities in the Middle East and the expected weighty minimum wage hike which takes effect July 25 (for first tranche) as well as 7%-14% increases in other region pushed bond yields generally higher.



Source: Bloomberg, Authors' Calculations

GS Auctions

Despite BTr's additional P50B offering in Cash Management Bills following an FXTN 07-71 rejection in the previous week, demand surged as overall Tender-Offer-Ratio (TOR) rose to 2.342x (from 1.602x), driven by T-bills (TOR up to 2.6253x from 2.1015x). T-bill yields climbed—led by 182-day (+58.8 bps to 5.685%) and 364-day (+25.9 bps to 5.966%) tenors, while 35-day and 91-day rates held flat. The lone 07-70 auction, however, saw yields plunge by -146.4 bps to 7.195% due to the exaggerated uptick in its previous offering in May.

GS Secondary Trading

Trading volume remained anemic at P166.3-B, yet -1.0% m/m down from prior month. The 3M-6M space had the largest percentage share increase of 16.1% points to 50.8%, as investors remain averse to risk taking. Besides, the clear upswing in long-term U.S. interest rates added to the upward pressure. The said bucket's share came at the expense of 1Y-10Y tenors, which diminished by -16.4 points. Combining 1Y-3Y tenors and <6M papers, their share totaled 70.8%. Yields rose, except for 6M and 1Y tenors, from ~25 bps for 4Y (ending at 7.263%) to 40.3 bps for 20Y papers (to 7.435%). 5Y and 7Y tenors took similar paths as 4Y papers. 10Y benchmark yields soared by 32.2 bps to 7.605%.

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

Outlook: Investors may demand more returns especially for longer tenors, as the latest sharp rise in 10Y U.S. Treasury impact still has to make its way into local bond yields. Higher (initially, 8.5%) daily minimum wage effective July 25, along with the resurgence in crude oil prices will likely move local inflation faster, which investors will also factor in.

THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of July 24	W/W Change
SCC	21.8	7.4%
DMC	7.6	4.1%
MER	600.0	2.6%
EMI	15.7	1.9%
AEV	33.9	1.8%
PLUS	10.2	-9.1%
JGS	23.8	-4.8%
AC	485.0	-4.6%
SMPH	18.2	-4.6%
JFC	144.0	-3.9%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved July 24, 2026 from "Workspace Add-in for Excel"

PSEi Corrects Amid Middle East Flareup

The PSEi slid by -1.92% w/w to end at 6,281.01, backtracking on its previous +1.87% w/w gain as resurgent Middle East action pushed oil prices higher and soured risk sentiment, taking profits along the way. The index treaded downwards throughout the week, with some bargain hunting kicking in at the 6,200 level.

Market turnover lodged lower by -19.38% w/w to P32.26-B, as caution prevailed during the week. Foreign investors were net sellers for all but one trading day last week, culminating in a net P451.85-M weekly selling posture (prev. P1.13-B net buying). Among sectors, Mining & Oil led the charge (+8.32% w/w) along with Industrials (+0.80% w/w). Meanwhile, Services (-2.76% w/w) and Property (-2.16% w/w) trailed behind. Market breadth turned negative at 98 gainers to 116 losers and 33 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 stock market may remain range-bound as bargain hunting contends with continued risk-off sentiment. Higher oil prices, peso weakness , and the upcoming Fed meeting this week may keep investors cautious, while resilient second-quarter corporate earnings could provide some support.

OUR OUTLOOK

1. **Market sentiment may remain cautious amid prevailing uncertainties.**
2. **Attention is likely to remain on shorter-tenor bonds as market participants monitor interest rate developments.**
3. **Upcoming dividend announcements remain an area of interest for market participants.**
4. **Rate-sensitive stocks could be influenced by evolving interest rate expectations.**

This product feature is separate from and not influenced by the market commentary shown.

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