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

SONA 2026 Recap; Business Confidence Improves in June

Source: Myk Miravalles. (2022, June 12). a firetruck on the street. Unsplash; Unsplash. https://unsplash.com/photos/a-firetruck-on-the-street-hzNPOLsw8bs

In his fifth State of the Nation Address, President Marcos Jr. pledged to strengthen anti-graft efforts and expand high-value industries. He vowed to pursue flood-control graft cases regardless of family ties, noting pending charges against former Speaker Martin Romualdez and plans to redirect recovered funds to social programs. On the economic front, the President sought to deepen the Philippines' role in the AI value chain, promote nuclear and renewable energy, amend the EPIRA law to remove system-loss charges, and provide tax relief by raising the annual individual income tax threshold to P350,000 and removing the minimum corporate income tax for micro and small enterprises.

Meanwhile, Philippine business sentiment recovered in June 2026, snapping a three-month streak in negative territory, according to the Bangko Sentral ng Pilipinas' latest survey. The current-month confidence index improved to 0% from -25.2% in May, supported by lower oil prices, reduced energy costs, and a seasonal lift in consumer spending as schools reopened. Local firms also turned more optimistic on the third quarter and the year ahead, expecting easing price pressures and stronger consumer demand despite tight financial conditions and above-target inflation projections.

Outlook: The local outlook remains mixed as markets await this week's inflation, employment, and GDP releases. Proposed anti-graft reforms and measures to support higher-value industries could improve medium-term growth prospects if implemented effectively. However, targeted tax exemptions, estimated to reduce annual revenues by P66 billion, may add to fiscal pressure. Business confidence has also recovered to neutral after several months of pessimism, though sentiment remains fragile. Market participants will assess whether improving private-sector activity can offset these fiscal trade-offs and sustain economic momentum.

Article Sources:Chan, K. (2026, July 31). Lower costs, spending pickup lift business confidence in June. BusinessWorld Online. https://bworldonline.com/top-stories/2026/07/31/767386/lower-costs-spending-pickup-lift-business-confidence-in-june/
Esguerra, D. (2026, July 27). SONA 2026: Marcos vows to finish reforms as term enters final stretch. Philippine News Agency. https://www.pna.gov.ph/articles/1280407

GLOBAL LENS

Potentially New Round of U.S.-Iran Negotiations; U.S. Indicators in Focus

Image Source: Arvind Vallabh. (2021, October 2). an oil rig in the middle of the ocean. Unsplash; Unsplash. https://unsplash.com/photos/an-oil-rig-in-the-middle-of-the-ocean-kjk90_OSGZU

Tensions continued as the U.S., Iran, and Middle East neighbors continued trading strikes through the week. The U.S. struck IRGC sites while Iran hit Kuwait's Ahmad Al-Jaber airbase. Over the weekend, President Trump cancelled strikes claiming both sides agreed to "perimeters of a deal". Oil softened to $84.67/bbl last week, though still elevated compared to near pre-war levels seen in late June.

Meanwhile, U.S. economic data moved global markets on two key events: a hawkish Fed hold under Chair Warsh, and slower-than-expected U.S. seasonally adjusted annualized growth of 1.5%. Global bonds and equities markets saw some selling pressure and volatility post-Fed meeting, with Fed Chair Warsh scrapping forward guidance. U.S. Q2 GDP came in lower than market consensus (2.0%) with lower government spending, inventories, and large imports.

Outlook: Global markets may trade with volatility amid persistent geopolitical risks and uncertainty surrounding central bank policy. While softer crude prices offer temporary relief, cooling U.S. growth (1.5% Q2 GDP) and Chair Warsh's hawkish Fed hold suggest a more challenging macroeconomic backdrop. Without clear guidance from the Fed, financial markets may remain sensitive to incoming economic data.

Article Sources: Shamim, S. (2026, July 31). IRGC strikes US targets in Kuwait a day after US hits Iran: Latest events. Al Jazeera.
https://www.aljazeera.com/news/2026/7/31/irgc-strikes-us-targets-in-kuwait-a-day-after-us-hits-iran-latest-events
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
Chavez-Dreyfuss, G. (2026, July 30). Fed's "hawkish hold" muddies path for stocks and bonds. Reuters.
https://www.reuters.com/business/feds-hawkish-hold-muddies-path-stocks-bonds-2026-07-30/

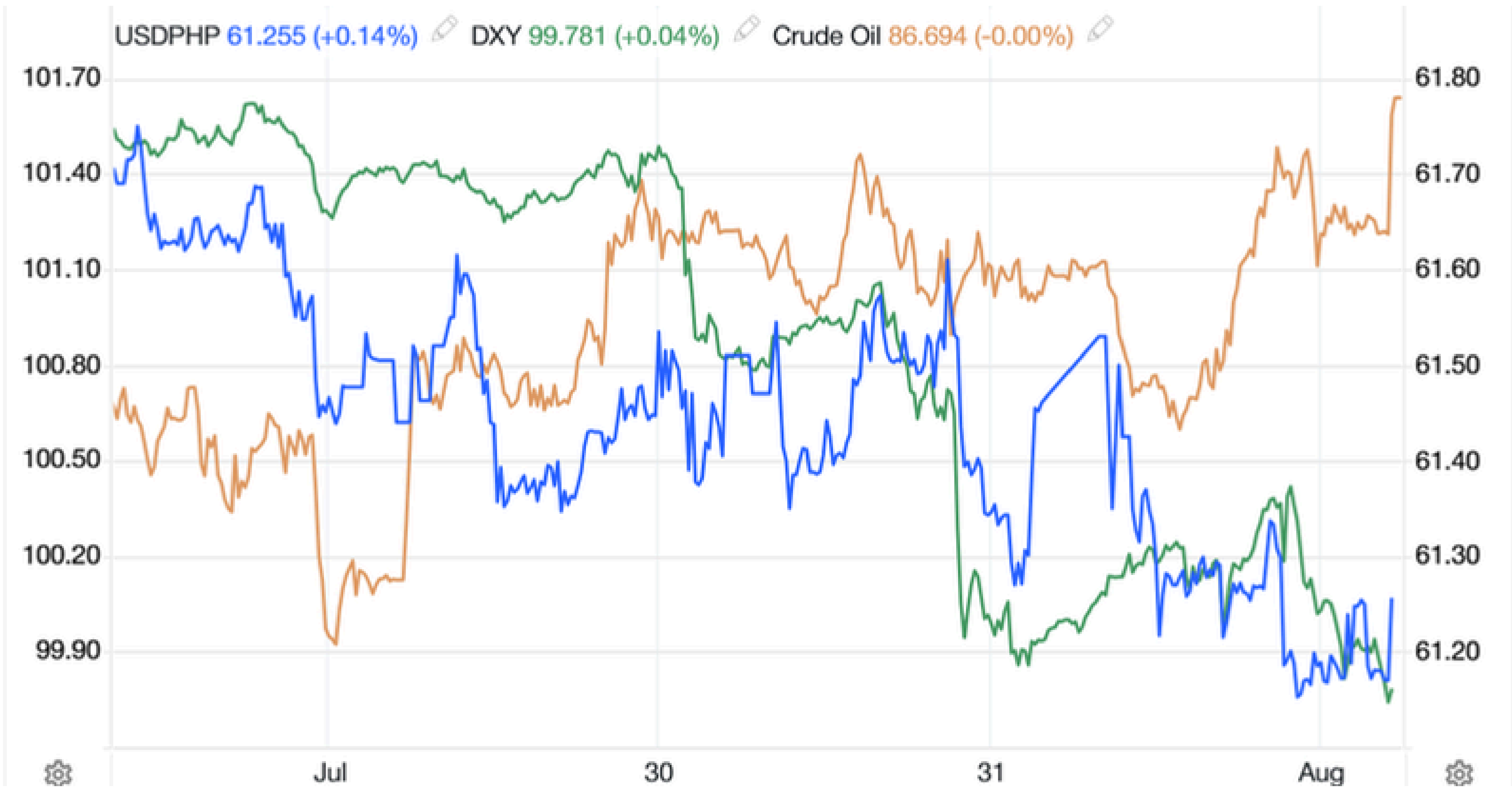
FOREX FOCUS

Peso-Dollar Rate Strengthens, Tracking Lower Oil Prices

Image Source: Boran, I. (2021, June 3). 100 us dollar bill. Unsplash; Unsplash. https://unsplash.com/photos/100-us-dollar-bill-_aUwE2DnIPg

Falling crude oil prices to start the week (WTI, -5.1% w/w at end) and bottoming close to $80/bbl mid-week from $90/bbl in previous week's close, and a sharp 2-day drop in DXY (-1.5% w/w) enabled USDPHP to trend lower during the week.

Average daily trading volume surged by 29.0% to $1.34-B, with increasing trading as the week progressed as market may have sensed that USDPHP had already peaked earlier in July. USDPHP ended at P61.24/$, a significant appreciation of 0.9% w/w. The range widened to P0.435 from P0.135 previously, but this occurred mainly due to its downward drift.



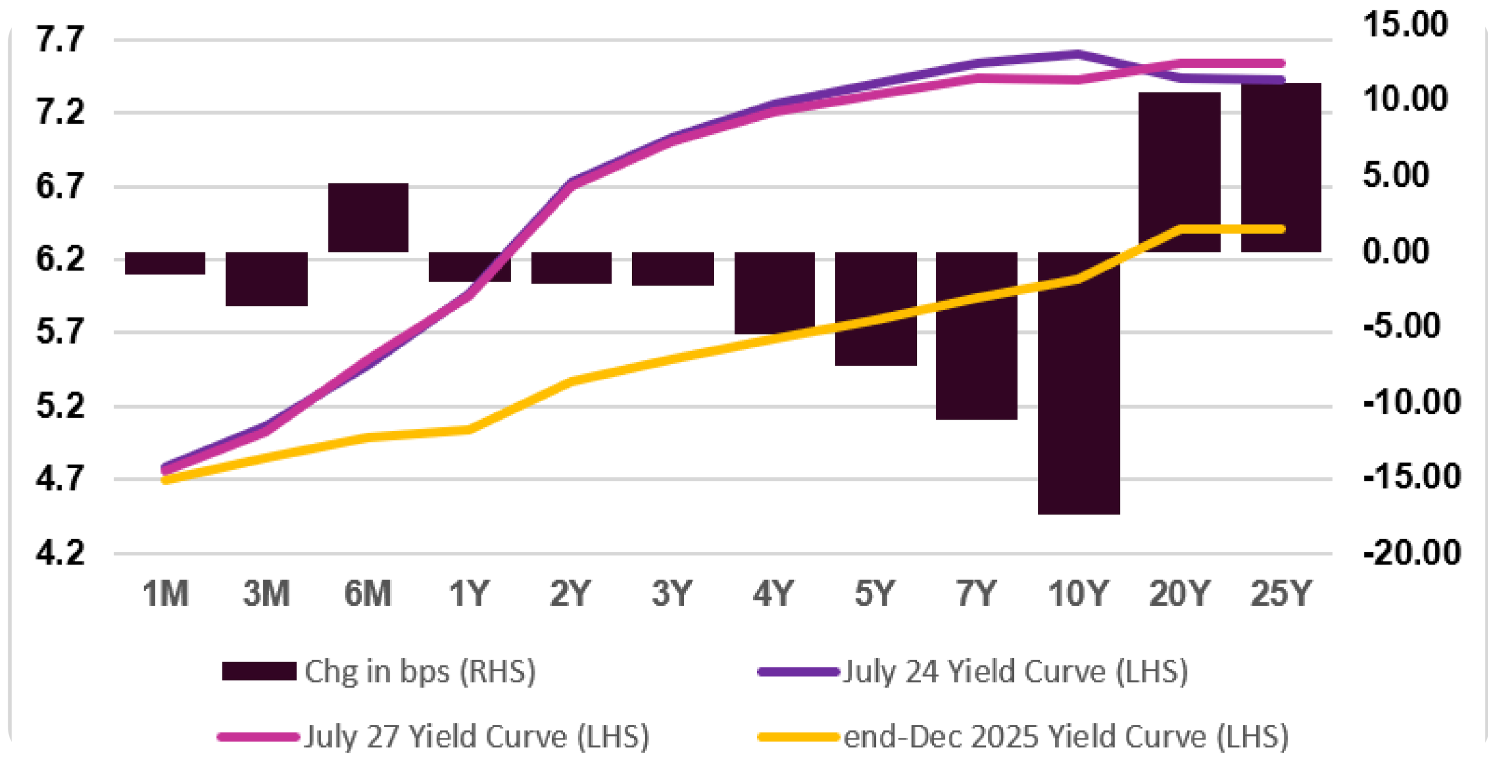
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/united-states/government-bond-yield

Outlook: Recent trading activity and firms taking advantage of lower FX levels may indicate signs of normalization in the USDPHP rate. Softer crude oil prices and movements in the U.S. dollar may continue to influence exchange rate developments, alongside market expectations surrounding BSP policy actions.

THE BOND BLUEPRINT

Yields Settle on Softer Crude Prices

The bond markets, both in auctions and secondary market, had a revival to end July as crude oil prices slipped anew to the $85/barrel (WTI) with expected weaker aggregate demand in the U.S. which reported abnormally low number of jobs in June.



Source: Bloomberg, Authors' Calculations

GS Auctions

The Tender-Offer Ratio rose to 2.885x from 2.342x, led by T-bonds at 3.080x versus 2.609x for T-bills. Demand shifted to longer maturities as oil fell from $90/bbl and the U.S. dollar weakened. T-bill yields were mostly flat: 91-day, 182-day, and 364-day rates declined 4.5 bps, 1.4 bps, and 11.6 bps, respectively. T-bond yields changed by +63.7 bps for the 3.2Y issue and -2.1 bps for the 17.8Y issue, ending at 7.217% and 7.684%.

GS Secondary Trading

Trading volume rebounded by 27.5% to P210.7-B in the week. 1Y-3Y and 3Y-5Y buckets gained market share with a combined +26.7% points to grab 48.0% of the total. This came at the expense of 3M-6M and 7Y-10Y spaces which lost a combined -24.7%. The 3Y-5Y tenors posted the largest gains, with its share boosted by 17.9% points to 35.3%. 3M-6M lost the most, giving -20.6% points. Yields generally slid, except for the 6M and longest tenors (20Y and 25Y). These saw increases of 4.5 bps, 10.6 and 11.2 bps, respectively. The declines for 1Y to 5Y seem mild, from -2.1 bps (1Y) to -7.6 bps (5Y). 10Y benchmark yields tumbled most by -17.5 bps to 7.4299% and 7Y tenors by -11.2 bps to 7.433%

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

Outlook: Much will depend on local macroeconomic data releases: inflation print for July (1st week August release) possibly accelerating close to 7.0%, and GDP growth for Q2 still slow like in Q1 (Aug. 7). Nonetheless, U.S. Treasury movements will also have their usual impact. U.S. 10Y yields closed at 4.70% (the highest since January 2025). BSP and Federal Reserve policy developments may continue to influence local bond market movements.

THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of July 31	W/W Change
CNVRG	10.8	7.9%
AC	511.5	5.5%
AEV	35.5	4.7%
JFC	148.8	3.3%
MONDE	6.9	3.0%
MER	480.0	-20.0%
JGS	22.3	-6.5%
SCC	20.5	-6.0%
ACEN	2.9	-4.3%
PLUS	9.8	-3.7%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved July 31, 2026 from "Workspace Add-in for Excel"

PSEi Down on Event-Driven Week

The PSEi slid by -0.71% w/w to end at 6,236.44, continuing its downward slide and reaching its lowest point of the week on Friday. While the index saw a midweek rally to a high of 6,436.11, gains gave way due to a hawkish Fed hold, post-SONA information flows, and higher local fuel prices. Funds also adjusted portfolio holdings with CNVRG out, and MYNLD in for the 30-member PSEi list. Market turnover climbed by +11.76% w/w (prev. -19.38%) to P36.05-B. Foreign investors were net buyers for three out of five trading days, though the total net buying posture moderated to P178.11-M (prev. P689.43-M net buying).

Among sectors, Mining & Oil significantly outperformed the rest of the market with a +6.55% w/w jump on higher copper prices and strong earnings releases. At a distant second, Property counters rose by +1.12% w/w on bargain hunting. On the other hand, Industrials fell sharply by -4.71% w/w, while Services also trailed with a -0.46% w/w decline. Market breadth improved slightly and turned positive, ending the week with 106 gainers to 95 losers and 42 unchanged.

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

Outlook: Market participants may trade on the sidelines ahead of key local economic data releases for the week: July inflation (Aug. 5), June employment (Aug. 6), and Q2-2026 GDP (Aug. 7), though the bourse may experience some volatility as headlines break for these events. Investors may also be digesting the Fed's hawkish rate stance and its impact on financial markets. Market players will also assess Q2 earnings and may favor signs of resilient performance.

OUR OUTLOOK

1. Macroeconomic data releases and earnings remain in focus.
2. Bond and equity markets may continue to experience sideways movements.
3. Upcoming CPI, Q2 GDP, and earnings releases may influence market sentiment.
4. The AI theme is likely to remain an area of market interest in the U.S. and the region.

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?