

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: Unsplash. (n.d.). Photo by JC Gellidon on Unsplash. Unsplash; Unsplash. <https://unsplash.com/photos/aerial-photography-of-city-skyline-GTbRLPZ124Q>

July Remittances +2.0% Higher; August Reserves Hit \$104.8-B; Pump Price Hikes Up Next

Resilient dollar inflows and reserve positions may help cushion the return of P100/L fuel prices.

OFW remittances continued supporting domestic consumption in July, hitting \$3.6-B (+2.0% y/y), the highest personal remittances reading since December 2025. Remittances likely grew as local price pressures, seasonal factors, and a weaker peso-dollar rate encouraged more dollars sent home.

Similarly, the country's Gross International Reserves (GIR) rose to \$104.8-B as of end-August (prev. \$103.3-B) on the back of higher gold valuations and BSP's global investment income. The current level of reserve holdings can cover 6.6 months' worth of imports.

Meanwhile, the economy may have to brace another round of inflation woes as resurgent U.S.-Iran tensions invited pump price hikes, with diesel potentially hiking by up to P9.5/L and gasoline up to P5.5/L.

Outlook: A new round of higher oil prices may stall the recent disinflation trend seen lately, coupled with higher food prices from weather related disturbances. That said, continued remittance flows and reserve gains keep the economy on relatively stable ground to weather further shocks.

Article Sources: BSP. (2026a, September 15). Cash remittances rise to US\$3.24B in July 2026. Bsp.Gov.Ph. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=80738&MTType=MediaReleases>
BSP. (2026b, September 18). GIR rise to US\$104.8B, BOP posts US\$596-M deficit in Aug 2026. Bsp.Gov.Ph. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=80828&MTType=MediaReleases>
Cordero, T., & GMA News. (2026, September 19). Up to P9.50/L hike for diesel, P5.50/L for gasoline expected next week — Source: GMA News Online. <https://www.gmanetwork.com/news/money/economy/1002921/up-to-p9-50-l-hike-for-diesel-p5-50-l-for-gasoline-expected-next-week-source/story/>



GLOBAL LENS

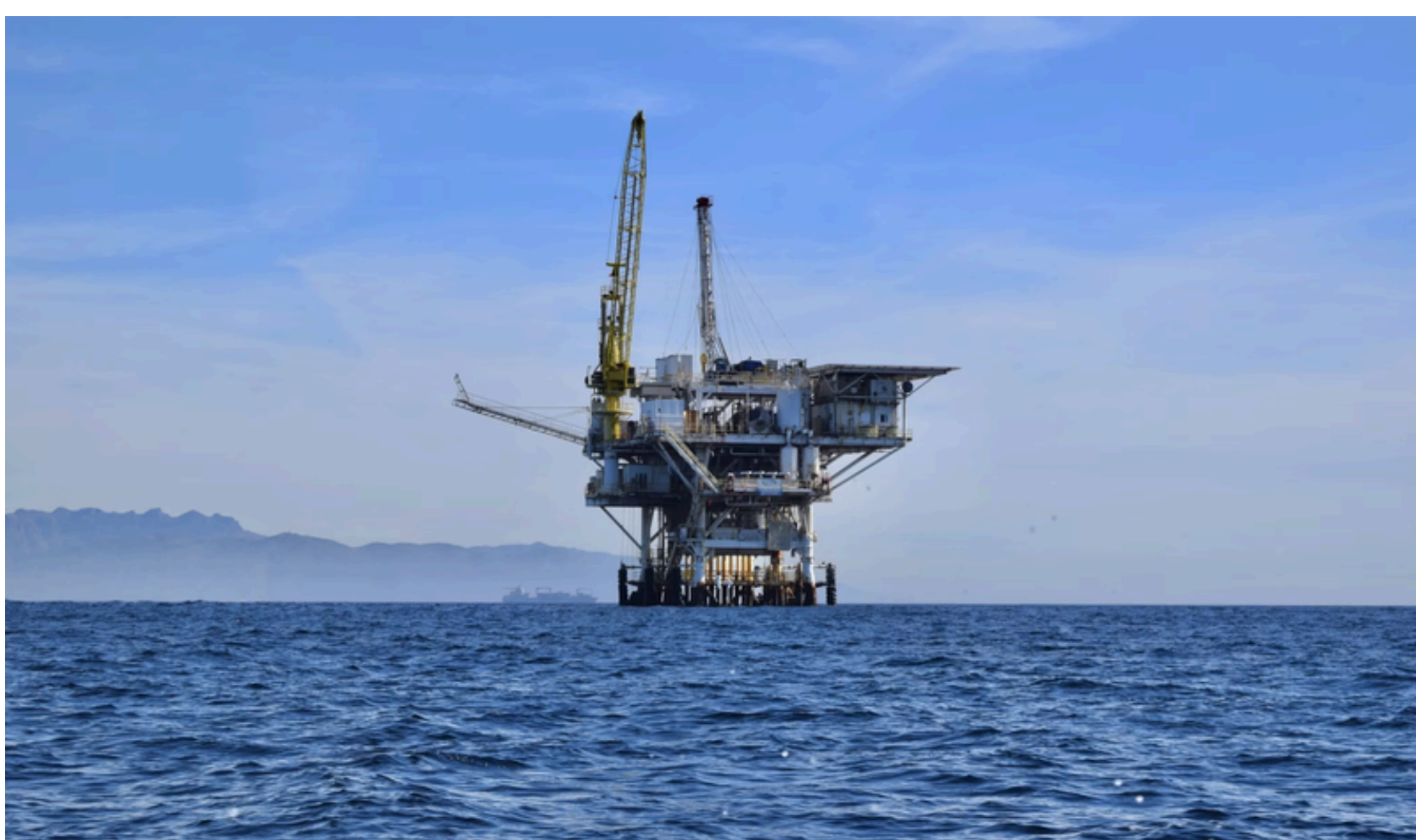


Image Source: Theo, Z. (2020, January 7). oil rig. Unsplash; Unsplash. <https://unsplash.com/photos/oil-rig-guADzpF9pDI>

Sources: Uras, U., & van der Wolf, M. (2026, September 20). Iran war live: 'Battlefield success' against US before any talks – speaker. Al Jazeera. <https://www.aljazeera.com/news/liveblog/2026/9/20/iran-war-live-tehran-calls-for-end-to-war-lifting-of-us-naval-blockade>
Conlon, S., Taylor, C., Lee, J., & Min, S. (2026, September 17). Dow Falls Friday and posts worst week since march as Treasury yields rise: Live updates. CNBC. <https://www.cnbc.com/2026/09/17/stock-market-today-live-updates.html>

Saudi Pipeline Moves Oil Prices; U.S. Bond Yields Depress Equity Markets



Crude oil prices slid back to just shy of \$100/bbl last Friday, with Saudi Arabia planning capacity restoration for its key pipeline. Disruptions to its East-West pipeline and naval strikes initially sent crude oil above the \$108/bbl mark early in the week, but later wound down on profit taking and key news.



Meanwhile, global financial markets came under siege with rising U.S. Treasury yields, with the 10-year reaching above-5%, its highest level since July 2007. U.S. Treasury yields have been steadily rising over fiscal sustainability concerns, inflation woes, and hawkish Fed signaling. Rising yields tend to dampen global equities performances, increasing borrowing rates and making risky equity investments less attractive.



Outlook: Volatile energy prices and elevated borrowing costs remain key factors for global financial markets. Crude oil prices remain sensitive to geopolitical developments and Saudi Arabia's efforts to restore pipeline capacity.



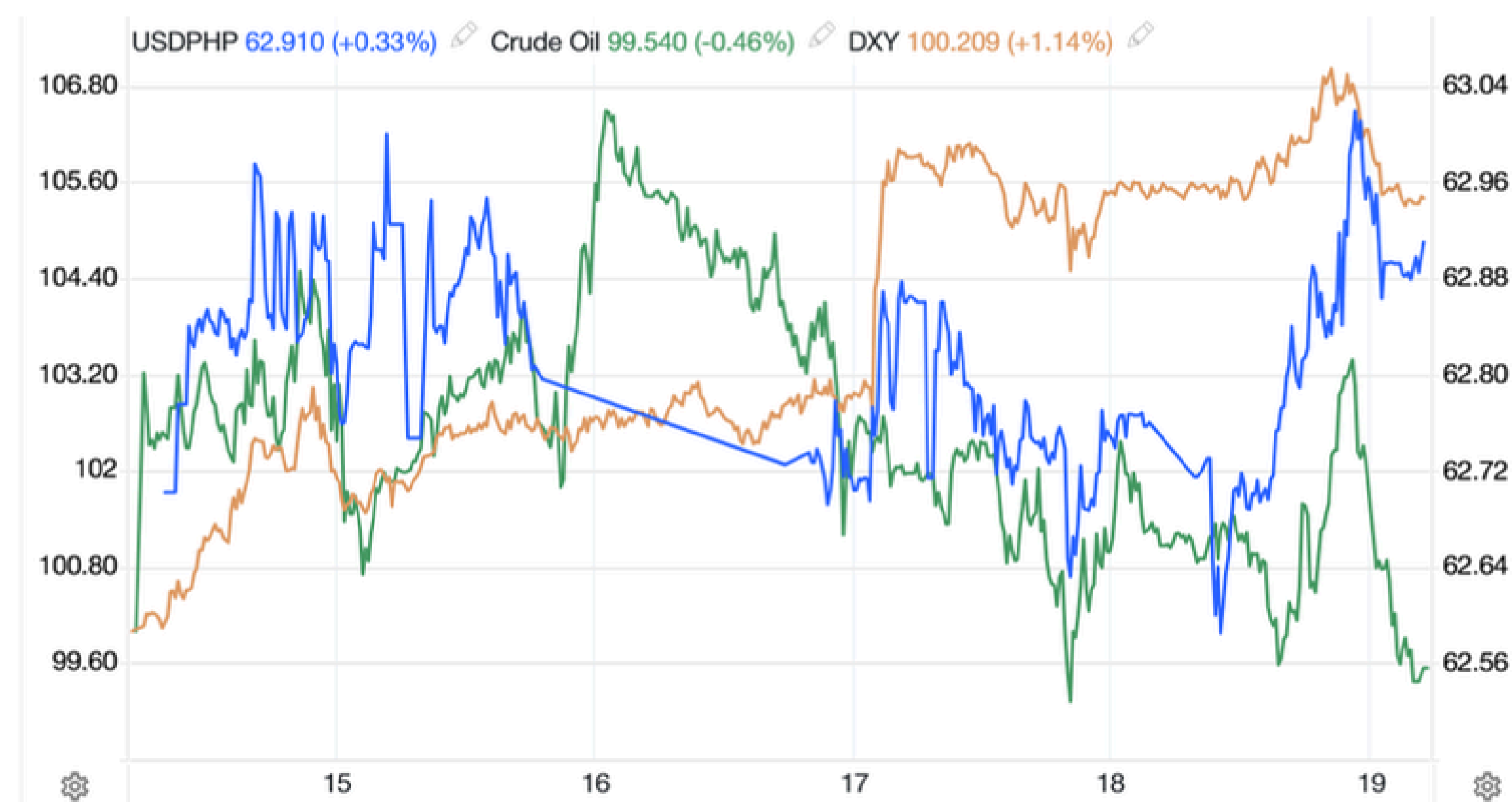
FOREX FOCUS

Forex Demand Picks up Amid Macro Headwinds

The week opened with a sharp rise to P62.86/\$ from 62.68/\$ previously. Average daily trading perked up by 6.2% to \$1.40-B from \$1.31-B a week ago. The second day saw volume double with short-sellers and firms entering the market. By mid-week, profit taking spread but firms renewed buying \$ at week's lows to take USDPHP to 62.749/\$, by the end of the week, a mild uptick of 0.11% w/w near 0.19% previously. However, the tighter trading range (with hourly standard deviation, down to P0.070 from P0.096) suggests steady demand.



Source: Unsplash. (n.d.). Photo by Eric Prouzet on Unsplash. Unsplash; Unsplash. <https://unsplash.com/photos/us-dollars-and-euros-scattered-on-a-surface-4Ah6xLAQqaU>



Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. <https://tradingeconomics.com/philippines/currency>

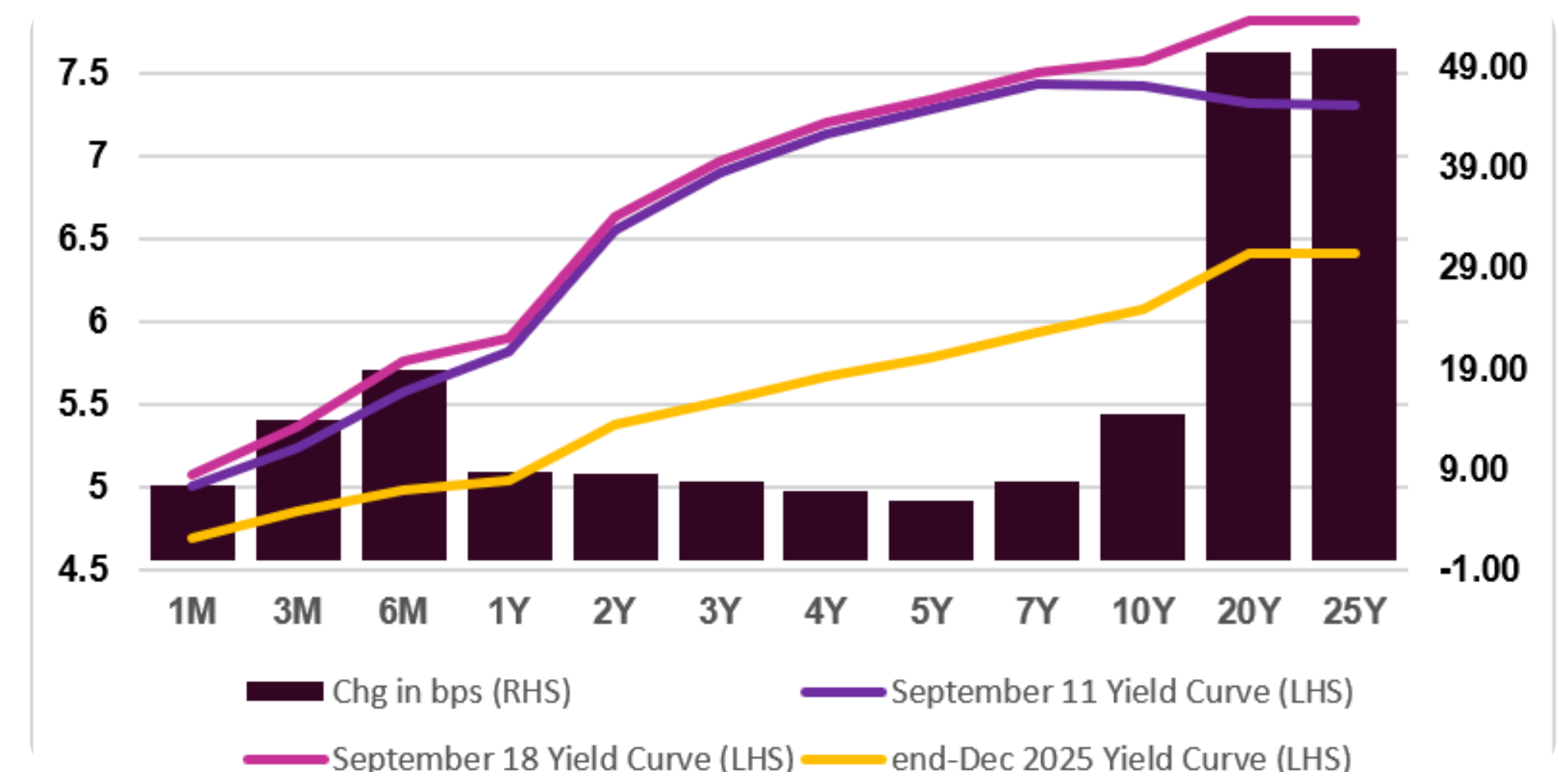
Outlook: USDPHP may remain sensitive to crude oil prices, U.S. interest rates, and firm dollar demand ahead of the Christmas production season.



THE BOND BLUEPRINT

Yields Trek Upwards on Higher Crude Prices

The previous week's steep jump in 10Y U.S. Treasuries, underpinned by sustained elevated crude oil prices, and the impact lag of the BSP rate hike in late August moved yields higher.



Source: Bloomberg, Authors' Calculations

GS Auctions

Although the Bureau of the Treasury (BTr) offered slightly fewer debt securities, the bid-to-cover ratio improved to 1.597x from 1.179x amid investors' higher yield demands. The BTr fully awarded all Treasury bills but rejected all bids for the P20.0-B 3.8-year FXTN 07-70 and accepted only 60% of the P10.0-B 9.4-year FXTN 10-74 offer to limit borrowing costs. Nevertheless, the 10-74 yield rose 22.5 bps to 7.525%. T-bill yield increases were more moderate, ranging from 7.6 bps for the 91-day bill, with an average award rate of 5.214%, to 10.5 bps for the 182-day bill, averaging 5.622%.

GS Secondary Trading

Short-end yields continued rising above the BSP's 5.0% policy rate set on August 27, as banks could alternatively place funds in the BSP's TDF and RRR facilities. Long-end yields jumped about 50 bps for 20Y and 25Y bonds, while the 10Y benchmark rose 14.3 bps for a second week to 7.5756%. The 6M yield gained 18.9 bps, catching up with the 3M's cumulative increase. Trading volume rose 13.2% w/w to P144.3-B, but the P28.6-B daily average remained well below the P45-B needed to reach P1.0-T in a holiday-free month. Market shares changed little, with a slight shift above 5Y amid a long-tenor selloff reflecting higher U.S. Treasury yields; maturities below 1Y retained over 58% share.



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

Outlook: Crude oil price movements, BTr borrowing requirements, and market expectations surrounding further Fed policy rate hikes could influence local bond yields.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of September 11	W/W Change
ACEN	2.9	10.8%
AC	507.0	5.6%
EMI	15.7	3.7%
AREIT	38.3	3.5%
CBC	54.0	2.7%
ICT	905.0	-8.1%
MONDE	6.4	-7.2%
SM	503.0	-6.0%
GTCAP	422.0	-6.0%
MBT	60.6	-4.0%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved September 11, 2026 from "Workspace Add-in for Excel"

PSEi Routs on Fed Hike, FTSE Rebalancing

The PSEi fell 3.40% w/w, or 205.90 points, to close at 5,855.91, erasing the previous week's gains and slipping below the 6,000 psychological level. Investors turned risk off as they digested the Fed rate hike, climbing U.S. and local bond yields, soaring oil prices, a soft peso-dollar rate, and the FTSE rebalancing event. After reaching a weekly high of 6,075.07 (+0.22%) on Monday, September 14, the index declined through most of the remaining sessions and ended at its weekly low on Friday, September 18.

Market turnover rose 8.35% w/w to P58.68-B, with daily trading value peaking at P25.50-B on Thursday, September 17. Foreign investors were net sellers in four of five sessions, bloating weekly net foreign outflows to P3.67-B from P219.88-M previously. Offshore funds adjusted portfolio holdings following macro headwinds and FTSE allocation changes. Foreign participation accounted for 43% of total market transactions.

Sector performance was broadly negative. Mining & Oil was the sole gainer, rising 1.71% w/w to 21,860.19. Services led the decline, dropping 6.62% to 3,163.97, followed by Property at -2.40% to 1,798.00 and Financials at -2.26% to 1,820.63. Holding Firms and Industrials also fell 1.42% and 1.22% to 4,137.14 and 7,802.93, respectively.

Market breadth reflected the broad selloff, with 78 gainers, 130 losers, and 40 unchanged.



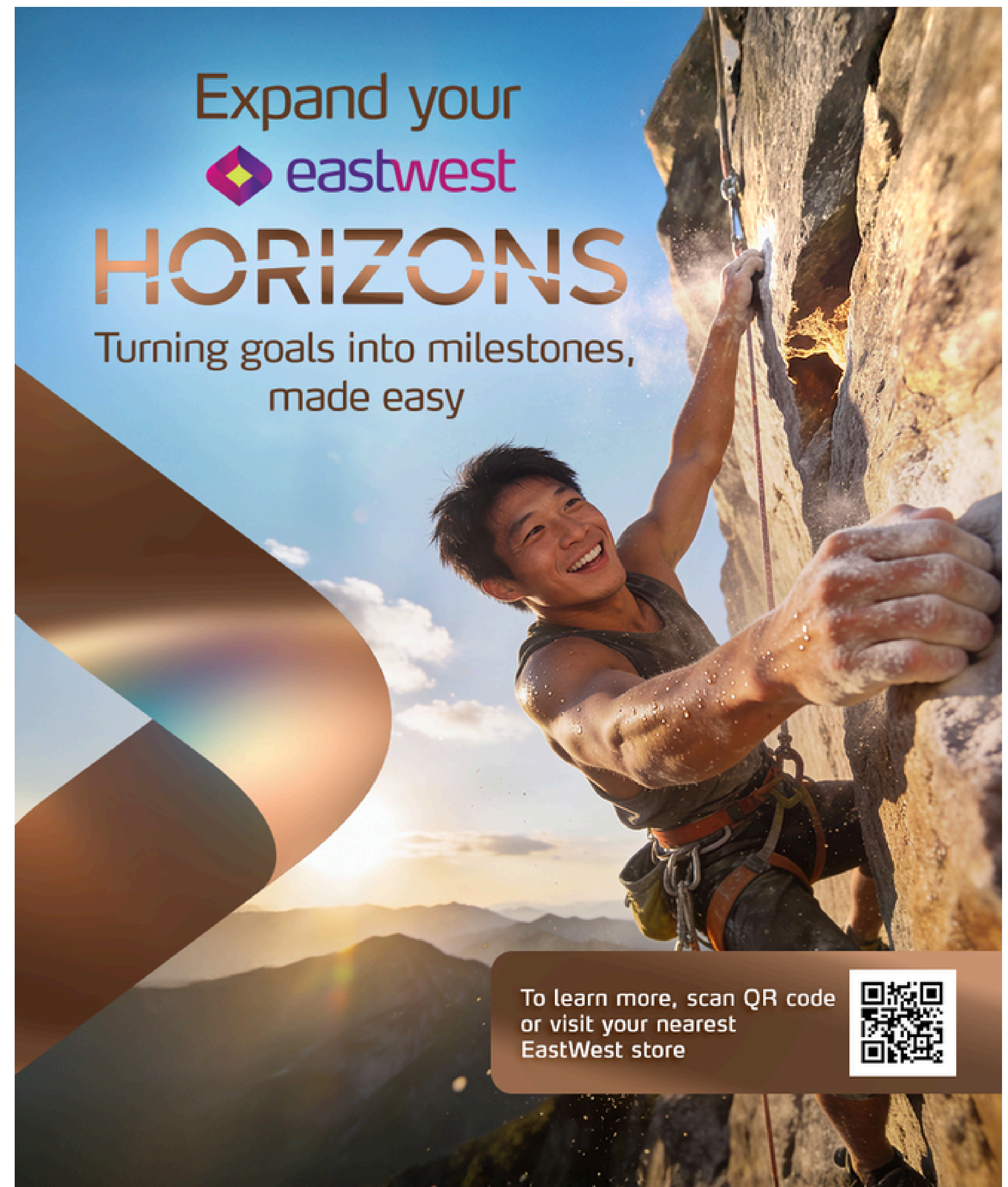
Source: Investa. (2026). PSE:PSEI - Philippine Stock Exchange Index (PH) | Price and Chart | Investagrams. Investagrams. <https://www.investagrams.com/Stock/PSE:PSEI>

Outlook: The local bourse may consolidate following sustained downward movements in recent days. That said, further upside may be limited with crude oil prices remaining above that \$85/bbl threshold. Valuations remain a key consideration for long-term investors.



OUR OUTLOOK

- 1 **Global Yields:** U.S. 10-year Treasury yield movements remain a key factor for global and local financial markets.
- 2 **Investor Demand:** Higher interest rates may influence the premium investors require for longer-duration assets.
- 3 **Cost Pressures:** Elevated input costs could influence corporate margins and equity market sentiment.
- 4 **Market Valuations:** Higher discount rates remain an important factor for equity valuations amid tighter global monetary conditions.



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and what would you like to see next week?