Economic Watch

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THE LOCAL READ

Image Source: Ng, J. (2020, May 7). city with high rise buildings during night time. Unsplash; Unsplash. https://unsplash.com/photos/city-with-high-rise-buildings-during-night-time-30QvyIpUYpY

August Inflation Slides to Five-Month Low; Manufacturing PMI Hits Near-10 Year High

Some encouraging news came in as August headline inflation edged down and Manufacturing PMI hit its highest reading in nearly a decade. However, higher crude oil prices may pose risks to the outlook.

August inflation slipped to +6.1% y/y (prev. +6.2% y/y) on the back of softer food and electricity price pressures, though still the sixth straight month of inflation above the BSP's 2-4% target. Food & Non-Alcoholic Beverages inflation eased to +4.6% y/y (prev. +5.2% y/y), but weather disruptions still resulted in two-year high Rice inflation (+19.4% y/y, prev. +17.1% y/y). Inflation in Housing, Water, Electricity, Gas, & Other Fuels declined to +7.9% y/y (prev. +8.2% y/y), with slower Electricity inflation (+14.4% y/y, prev. +16.9% y/y) as Meralco cut electricity rates in the month. These downward trends offset a pickup in Transport inflation (+13.5% y/y, prev. +11.9% y/y) arising from elevated fuel costs. Core inflation, which strips away volatile fuel and food prices, remained just a tad above target (+4.1% y/y).

Meanwhile, S&P Manufacturing PMI for the Philippines soared to 54.9 in August (prev. 51.8), the fourth straight month of improvement and the strongest reading since December 2016, as much stronger demand conditions pushed production levels, hiring activity, and raw material purchasing. Managers' year-ahead confidence improved on expectations of stronger demand conditions. A reading above (below) 50.0 indicates manufacturing sector expansions (contractions). Manufacturing PMI is a closely watched metric due to its early release date in the month, functioning as an advance economic activity indicator.

Outlook: Recent inflation and manufacturing data point to signs of economic stabilization amid elevated oil prices. Higher fuel costs and potential agricultural damage could influence inflation through the fuel and food channels in the coming months. The strong Manufacturing PMI reading also provides an early indication of improving economic activity, particularly if the trend is sustained. In the absence of a scheduled BSP policy meeting this month, market players may look at the usual economic data releases for further signs on the Q3 macro picture.

Article Sources: Chan, K. (2026, September 4). Philippine headline inflation eases to five-month low in august. BusinessWorld Online. https://bworldonline.com/top-stories/2026/09/04/774653/philippine-headline-inflation-eases-to-five-month-low-in-august/
Manila Bulletin Newsroom. (2026, September 1). Philippine manufacturing surges to near-decade high in August as output, orders accelerate. Manila Bulletin. https://mb.com.ph/2026/09/01/philippine-manufacturing-surges-to-near-decade-high-in-august-as-output-orders-accelerate

GLOBAL LENS

Image Source: J.f Manzanero. (2025, June 4). An oil rig being serviced by a supply ship. Unsplash; Unsplash. https://unsplash.com/photos/an-oil-rig-being-serviced-by-a-supply-ship-3J2FB7BItdA

U.S.-Iran Tensions Reignite, Oil Above $90/barrel; U.S. Jobs Report Stronger than Expected

Military action rocked the Strait, with missile strikes and naval skirmishes hitting military sites and oil tankers. The U.S. retaliated against a naval carrier strike by hitting three Iranian oil tankers. The IRGC warned of further escalations against U.S. actions, claiming attacks on U.S.-affiliated vessels and tankers. Energy markets reeled, with WTI crude oil topping $91/barrel into the weekend.

Meanwhile, U.S. equities slid with the August labor report (unemployment rate: 4.1%), with nonfarm payrolls increasing by +162,000, way above the consensus estimate of +53,000 jobs. This aligned with the Fed's description of a stable labor market, which pushed traders to increase rate hike bets for the Fed's September 16th meeting.

Outlook: Global markets may trade cautiously with the Fed meeting in mind, especially with the U.S. CPI release for August on September 11. Inflation readings substantially deviating from market expectations will materially alter market expectations on Fed movements.

Article Sources: Kelliher, F., & Khalili-Tari, D. (2026, September 6). Iran war live: Tehran warns of 'faster, more painful' response to attacks. Al Jazeera. https://www.aljazeera.com/news/liveblog/2026/9/6/iran-war-live-irgc-claims-new-attacks-on-us-warships-over-naval-blockade
Cox, J. (2026, September 4). U.S. payrolls rose 162,000 in August, much more than expected; unemployment rate at 4.1%. CNBC. https://www.cnbc.com/2026/09/04/jobs-report-august-2026.html
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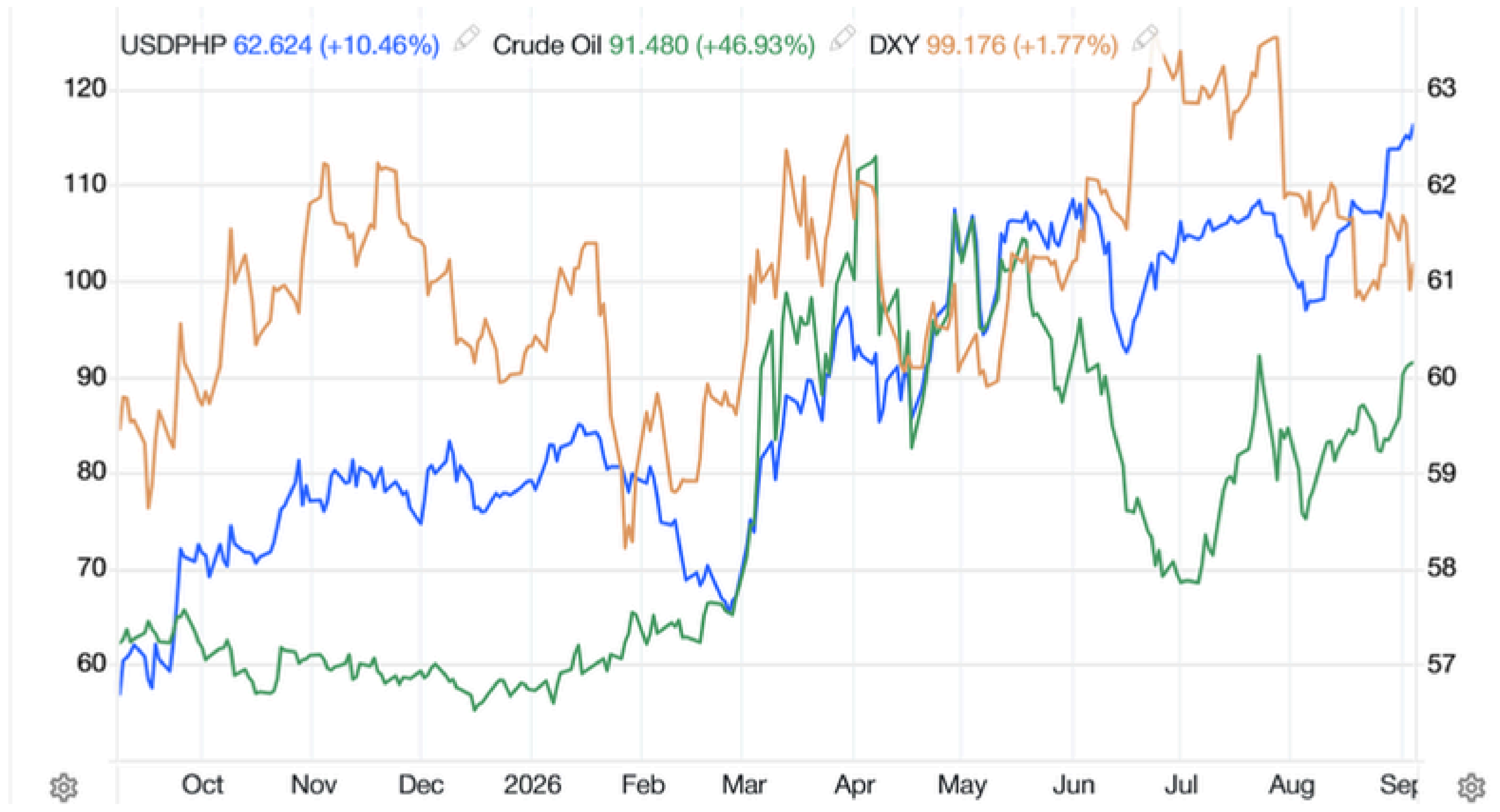
FOREX FOCUS

Peso-Dollar Rate Tracks Oil Price Gains

Source: Leung, J. (2020, February). 10 and 50 banknotes on white textile. Unsplash; Unsplash. https://unsplash.com/photos/10-and-50-banknotes-on-white-textile-hAjKXEMRo-I

Soaring crude oil prices (i.e., WTI again above $90/barrel) due to escalation of attacks and reprisals in the U.S/Israel-Iran war dictated the direction of USDPHP.

The week started with the peso-dollar rate cautiously opening near the previous week's close, but as the first trading day (September 1st) ended the FX rate had climbed by 0.2% to P62.40/$. The following days saw unabated demand pressure due to the above and so it ended the week at P62.59/$, a new high and up 0.5% w/w. Average daily trading volume (PH holiday on the 31st) slid by -5.3% to $1.55-B. Trading volatility slipped to a narrower range of 0.165 from 0.61 but at an elevated level.



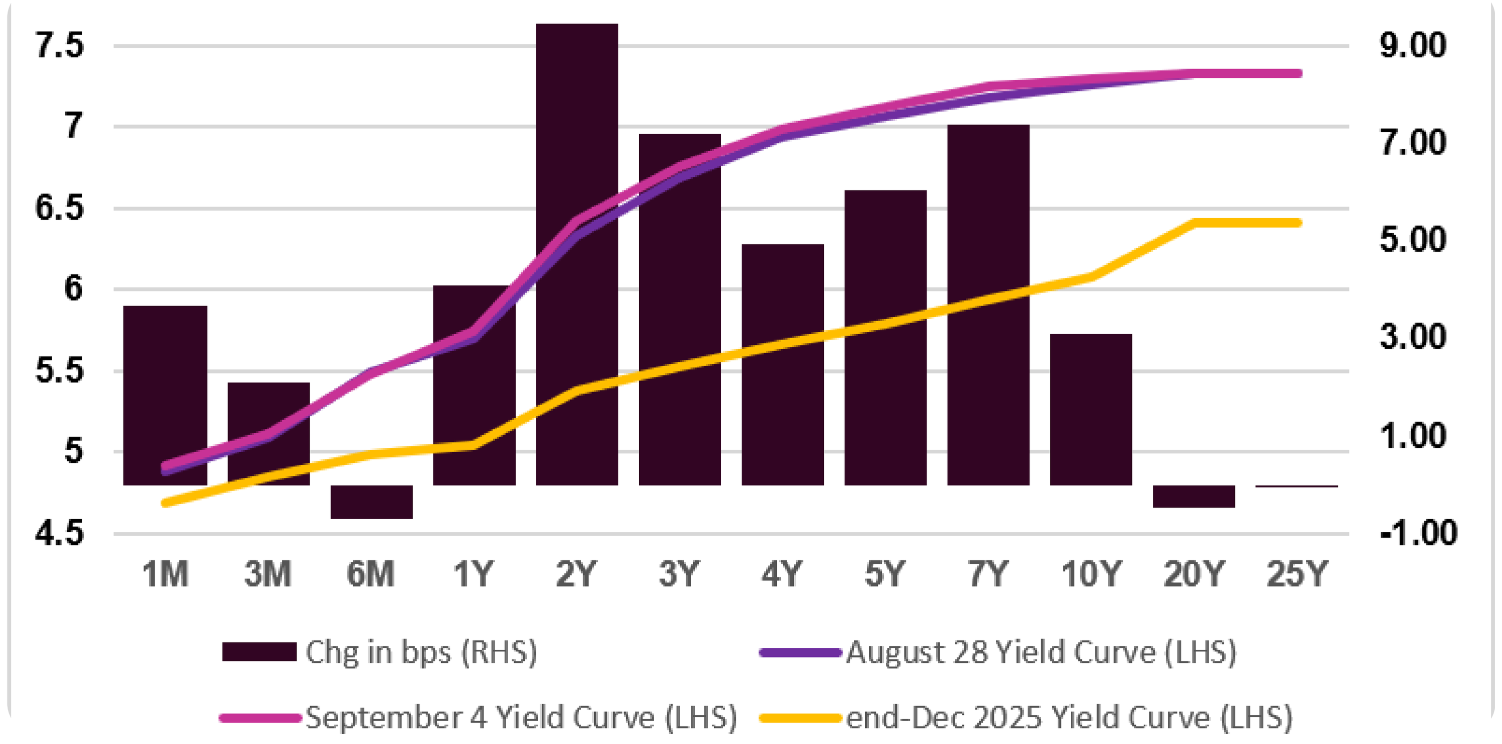
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/philippines/currency

Outlook: Softer August inflation and President Marcos' call to contain price pressures may influence peso-dollar movements. Crude oil prices also remain a key factor following their recent sharp increase.

THE BOND BLUEPRINT

Bond Movements Mixed on Domestic and External Factors

Rising U.S. interest rates, and crude oil prices and a weaker peso during the week kept local bond investors cautious in both auctions and secondary markets.



Source: Bloomberg, Authors' Calculations

GS Auctions

Overall TOR tumbled to 1.318x vs 1.854x previously despite Bureau of Treasury (BTr) offering 15% less than a week ago.
It partially accepted only 81.9% for its 35-day CMB and 91-Treasury bills of the total P30.0-B offering. However, it fully awarded P25.0-B on offer for the 182-day and 364-day T-bills. Yields for both short-term and long-term issuances all moderately climbed. For T-bills, the increase ranged from 7.7 bps (for 364-day bills to 5.717%) to 8.4 bps (for 91-day bills to 5.138%. The 4.9Y FXTN 20-17 yielded 7.218%, up 7.9 bps from its previous offering in early August.

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

GS Secondary Trading

Despite a four-day week, average daily trading rose 6.3% to P39.6-B. The 1Y-3Y bucket's market share increased 5.42% to 12.5%, while the 7Y-10Y and 3M-6M buckets posted smaller gains.
Yields generally rose, tracking the U.S. bond selloff, but softer August inflation at 6.1% y/y and a stabilizing peso above P62.50 tempered gains. The 2Y, 3Y, and 7Y yields climbed 9.4 bps, 7.2 bps, and 7.4 bps, respectively, with the 2Y closing at 6.4248% and the 7Y at 7.2502%. The 10Y benchmark added 3.1 bps to 7.2885%.

Outlook: Local bond yields may remain sensitive to crude oil price movements, the 8.5% increase in the daily minimum wage, which remains subject to a court injunction, and the potential impact of continued monsoon rains on food prices.

THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of September 6	W/W Change
ICT	934.5	5.6%
BPI	105.4	6.4%
BDO	120.9	4.2%
GTCAP	494.0	3.7%
DMC	8.0	3.0%
ACEN	2.7	-5.6%
RCR	6.8	-4.9%
URC	58.7	-3.7%
PLUS	9.7	-3.1%
JGS	20.6	-3.1%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved September 6, 2026 from "Workspace Add-in for Excel"

PSEi Recovers on Bargain Hunting and Softer Inflation

The PSEi gained +2.25% w/w, or 134.27 points, to close at 6,090.60 and reclaim the key 6,000 level. Trading was limited to four days due to the National Heroes Day holiday on Monday, August 31. The index posted its weekly high close of 6,093.89 on Tuesday, September 1, up +2.31% by then as local bargain hunters stormed oversold counters. Later U.S.-Iran flareups then saw the index slip by -0.67% to a weekly low close of 6,053.23 on Wednesday, before recovering over the next two sessions with the tamer August inflation reading.

Market turnover fell -40.16% w/w to P25.26-B, reflecting the holiday-shortened week. Foreign investors remained net sellers in all four sessions, with net selling for the week reaching P1.35-B. This was nevertheless -82.27% lower than the previous week's P7.63-B. Foreign activity accounted for 58% of total market transactions.
All sectors ended higher. Mining & Oil led with a +4.96% w/w gain to 21,065.44, followed by Services at +4.15% to 3,261.07. Industrials was nearly flat, edging up +0.02%.

Market breadth improved to 131 gainers, 80 losers, and 36 unchanged, reversing the previous week's 78 gainers, 140 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: Market activity may remain sensitive to key U.S. economic releases and movements in crude oil prices. Foreign flows and developments surrounding Mynt's planned October 20 offering may also influence local market sentiment.

OUR OUTLOOK

1. **Peso-Dollar Movements:** Oil prices and external developments remain key factors influencing the peso.
2. **U.S. Economic Data:** U.S. CPI and other macroeconomic releases remain in focus.
3. **Philippine Equities:** Global developments and foreign flows could influence local market sentiment.
4. **Rate-Sensitive Sectors:** Interest rate movements remain a key consideration for property and consumer stocks.
5. **Market Positioning:** Investors continue to monitor global and domestic risk factors.
6. **Local Bonds:** Crude oil prices, inflation, and interest rate movements remain key factors for the bond market.

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 2023-2026

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?