

# 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: Oracion, A. (2020, June 4). Manila skyline from Harbour Square [Photograph]. Unsplash. <https://unsplash.com/photos/manila-skyline-from-harbour-square>

### August Exports Hit Record High; September Manufacturing PMI Contracts; September Inflation in Focus

The Philippines' economic indicators signaled shifting momentum late in the third quarter of 2026, as a record-setting export surge and narrowed trade deficit in August gave way to a contraction in manufacturing activity in September, though with potentially faster inflation on the horizon.

The Philippines expanded its total external merchandise trade by +21.0% y/y to \$22.07 billion in August 2026, supported by record outbound shipments. Strong foreign demand for electronic products and semiconductors lifted merchandise exports by +27.8% to a record \$9.11-B, with the United States remaining the top buyer. Meanwhile, higher arrivals of intermediate components and capital goods raised merchandise imports by 16.6% to \$12.96-B. Robust export growth helped narrow the country's monthly trade deficit by -3.5% y/y to \$3.85-B, its tightest gap in over a year.

Meanwhile, the S&P Global Philippines Manufacturing PMI fell to 49.6 in September 2026 from a multi-year high of 54.9 in August, the first contraction in manufacturing conditions since April. Factory output declined for the first time in nine months, while new orders eased amid uncertain external demand and international competition. Manufacturers trimmed purchasing and hiring activities, contributing to subdued managers' year-ahead outlook.

On inflation, the Bangko Sentral ng Pilipinas (BSP) released its month-ahead inflation outlook for September, penciling in a 6.4-7.4% reading on the back of higher food and fuel prices, and a soft peso. If realized, this would accelerate from the 6.1% recorded in the previous month.

**Outlook:** Recent data show a surprisingly strong external sector propped up with a softer peso-dollar rate and intense global demand for electronics. For this week, key items to monitor are local inflation and labor market reports. September inflation may track higher pump and food prices following recent geopolitical flareups and weather disturbances, which the BSP will likely consider in its October 22nd meeting.

Article Sources: Chan, K. (2026, September 30). BSP: Inflation likely quickened in september. BusinessWorld Online. <https://bworldonline.com/top-stories/2026/09/30/783178/bsp-inflation-likely-quickened-in-september/>  
Cruz, B. M. (2026, September 30). Philippines' august trade gap narrows to 15-month low. BusinessWorld Online. <https://bworldonline.com/top-stories/2026/10/01/783366/philippines-august-trade-gap-narrows-to-15-month-low/>  
Tabile, J. I. (2026, October 1). Philippines' manufacturing PMI contracts in september. BusinessWorld Online.



## GLOBAL LENS



Image Source: WORKSITE Ltd. (2019, July 4). ERIELL oil rig [Photograph]. Unsplash. <https://unsplash.com/@worksite>

Sources: RFE/RL staff. (2026, October 3). Iran is losing some of its leverage over the Strait of Hormuz. OilPrice.Com. <https://oilprice.com/Energy-General/Iran-Is-Losing-Some-of-Its-Leverage-Over-the-Strait-of-Hormuz.html>  
Min, S., Giangulio, D., Taylor, C., Shan, L. Y., & Chetia, A. (2026, October). Stocks rise friday after soft jobs data, Nvidia leads NASDAQ to intraday record. CNBC. <https://www.cnbc.com/2026/10/01/stock-market-today-live-updates-.html>

### Crude Oil Whittles Down to \$91/Barrel; Negotiation Stalls; U.S. Jobs Softer than Expected



Crude oil prices went through a seesaw week, with a downward trend clashing against fresh flareups throughout the week. Oil traded down to \$91.2/bbl (from a peak of \$96.3/bbl early on) as crude oil tanker flows hit pre-war levels, though refined petroleum shipments remained constrained amid tanker strikes. Rejected peace proposals and military posturing spiked oil several times throughout last week, keeping prices above \$90/bbl for most of it.



Meanwhile, Fed rate hike bets eased as the latest U.S. nonfarm payrolls reading added +29,000 jobs, lower than analysts' consensus estimate of +84,000. Market expectations moved off a rate hike for the Fed's October 28th meeting, with the CME FedWatch tool now pricing in a 22.1% probability of a hike. U.S. stock indices rebounded accordingly. That said, the 10Y Treasury yield still hit a multi-year high on inflation and debt concerns.



**Outlook:** Global markets may remain sensitive to developments in the Middle East. Negotiation tones and healthy crude flows could keep oil prices below \$100/bbl for now. Softer U.S. employment data may also temper expectations for a near-term Fed rate hike and support equities. However, elevated Treasury yields and unresolved fiscal concerns in advanced economies may limit market gains.



## FOREX FOCUS

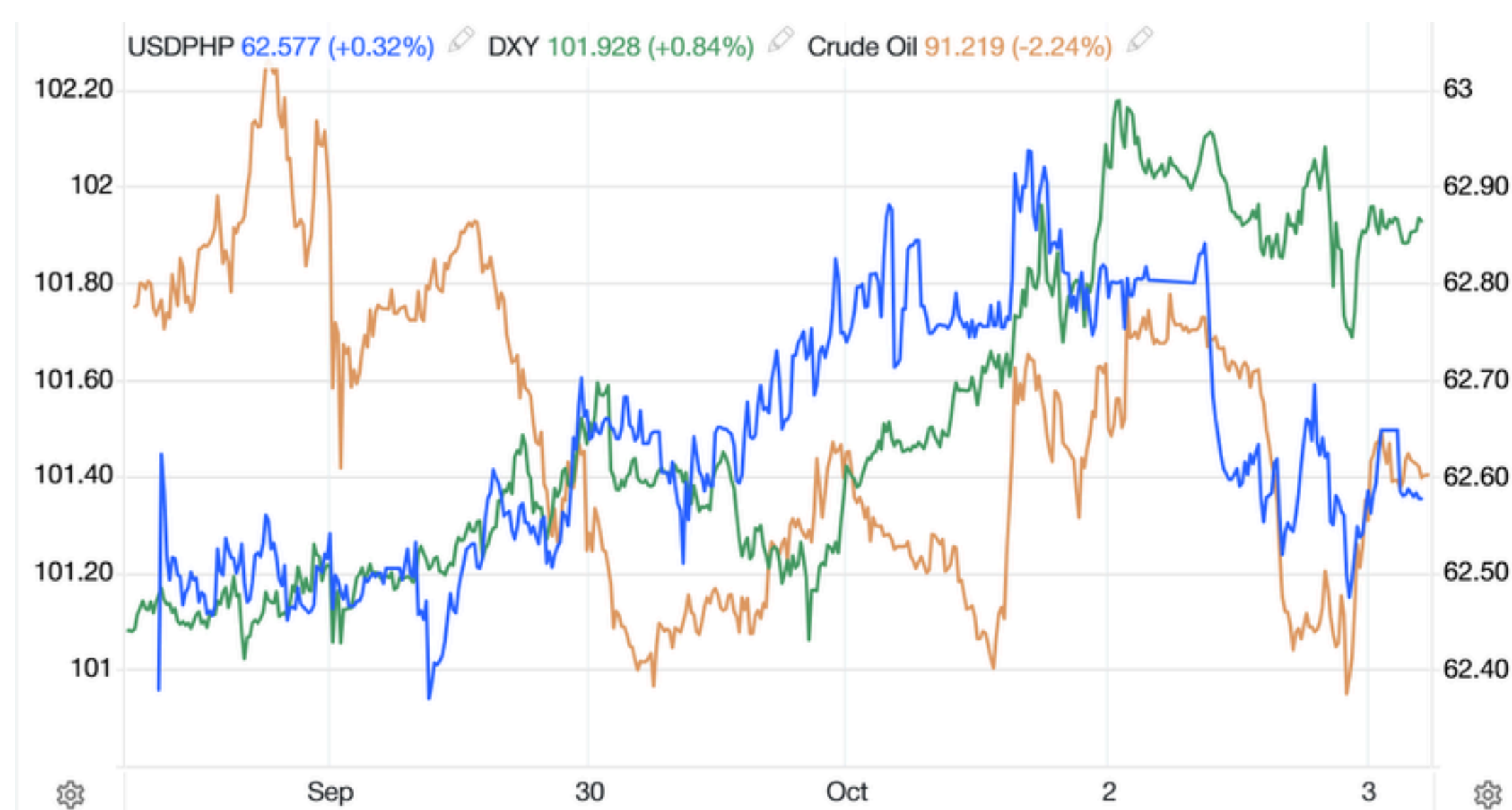
### USDPHP Strengthens on Softer Oil Prices

The sharp upswing in U.S. interest rates and robust U.S. dollar translated into mildly loftier USDPHP amid softer crude oil prices.

Friday's rebound enabled the latter to close the week at P62.535/\$, only some 0.11% higher than P62.465 a week earlier. Average daily trading jumped by 11.6% w/w to \$1.55-B from \$1.39-B previously. The figure, however, masks the surge in demand on Friday which totaled \$2.12-B in transactions another reminder of buying on lows. The fact of low volatility in FX rate (with hourly standard deviation at P0.115 vs. P0.112 a week ago) supports this view.



Source: PiggyBank. (2022, January 11). Assorted American and Canadian money | #usd #cad #fx [Photograph]. Unsplash. <https://unsplash.com/@piggybank>



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

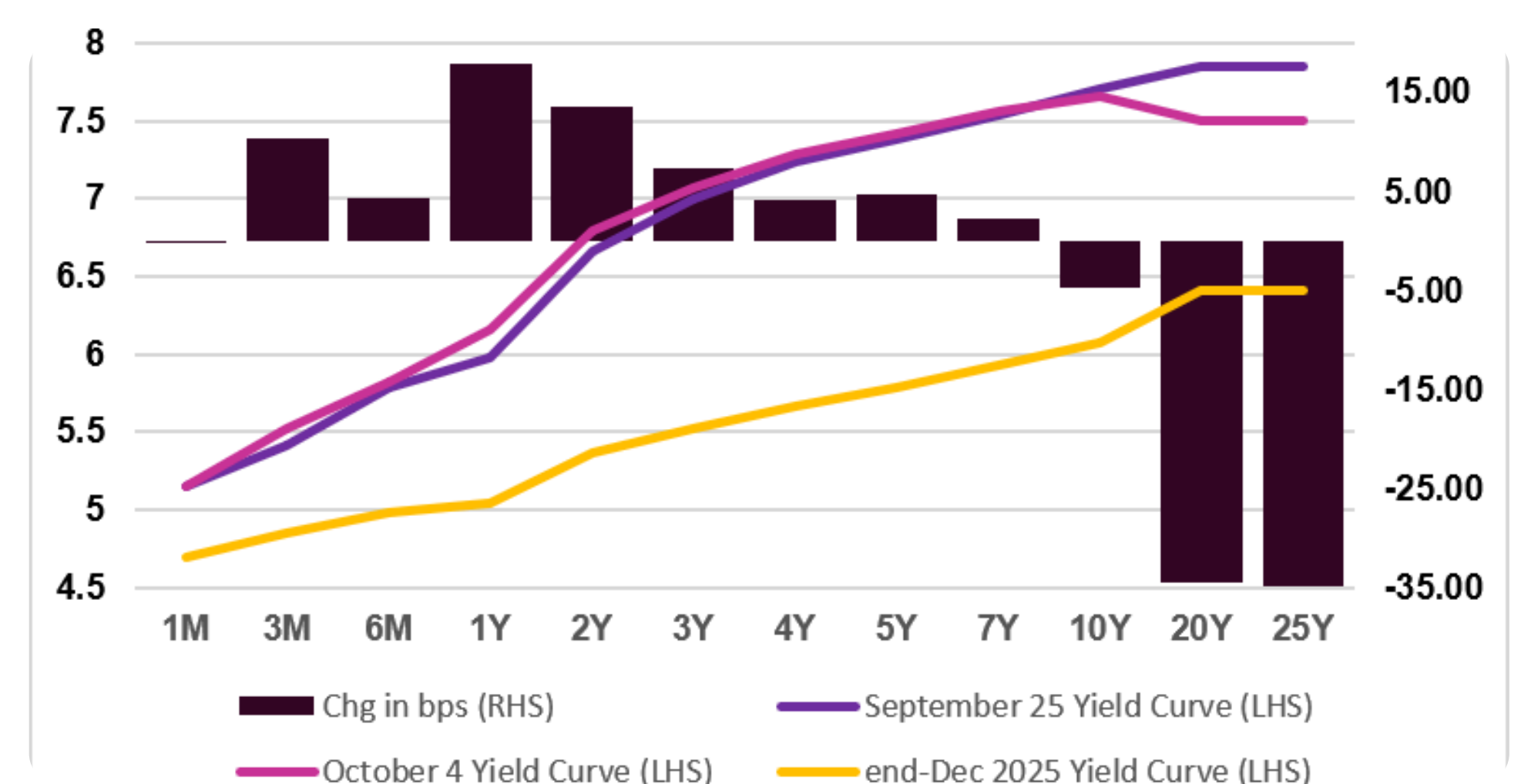
**Outlook:** Elevated U.S. interest rates and resulting U.S. dollar muscle and local inflation hastening at a likely faster pace than August's 6.1% (see BSP forecast in Local Read above) may impact on the direction of USDPHP.



## THE BOND BLUEPRINT

### Bond Market Participants Keep to the Sidelines

Investors demanded higher yields in both auctions and secondary markets amid the persistent rise in U.S. interest rates.



Source: Bloomberg, Authors' Calculations

## GS Auctions

Despite an additional P40.0-B offering of shorter 35- and 63-day Cash Management Bills (CMBs), demand remained weak. The Tender-Offer Ratio (TOR) fell to 1.544x from 1.622x as investors prepared for Tuesday's Retail Treasury Bond (RTB-32) offer. The Bureau of the Treasury (BTr) accepted only 31% of offered CMBs and 86.8% of auctioned 91-day Treasury bills (T-bills), whose yields rose 10.4 basis points (bps) to 5.535%. It fully awarded P22.0-B of 182- and 364-day T-bills, with yields up 4.1 and 7.2 bps, respectively. The P100.0-B, 2.5-year RTB offer, running September 29–October 7, yielded 6.875%, the highest in three years during the BSP's rate-hiking cycle.

## GS Secondary Trading

Except at the longest tenors, yields rose as the U.S. 10-year benchmark held at a three-year high of 5.28%. The 1-year yield climbed 17.9 bps, followed by the 2-year (+13.7 bps) and 3-month (+10.4 bps). Meanwhile, 20- and 25-year yields fell by over 34.0 bps, and the 10-year benchmark slipped 4.8 bps to 7.658%, reflecting demand from insurers and pension funds matching long-term liabilities. Trading volume fell 11.2% w/w to a five-month low of P98.5-B. The 3- to 5-year share dropped 10.2 percentage points to 33.3% as investors shifted to the new 2.5-year RTB 02-01 at a 6.875% coupon, lifting the 7- to 10-year share by 8.8 points and the 3- to 6-month share by 2.9 points to 4.9%.



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

**Outlook:** In addition to above-5.20% U.S. 10Y rate, local yields may also take the cue from the expected bump in local inflation to much above August's 6.1% YoY print.



## THE EQUITY PLAY

### Top Five Index Winners & Losers

| Stock | Close as of October 4 | W/W Change |
|-------|-----------------------|------------|
| AC    | 515.0                 | 4.7%       |
| AREIT | 37.4                  | 2.3%       |
| MONDE | 6.2                   | 1.0%       |
| GLO   | 1,554.0               | 0.3%       |
| ALI   | 15.1                  | 0.1%       |
| SCC   | 13.4                  | -12.3%     |
| ICT   | 860.0                 | -6.5%      |
| DMC   | 7.4                   | -6.5%      |
| MER   | 416.0                 | -6.3%      |
| PLUS  | 8.0                   | -5.9%      |

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved October 4, 2026 from "Workspace Add-in for Excel"

## PSEi Slides on Macro Woes

The PSEi fell by -3.38% w/w (-196.94 points) to 5,629.03, extending its downtrend with losses across all five trading sessions. Elevated oil prices, higher debt yields, a soft peso, and a negative September S&P Manufacturing PMI reading saw the index tumble through the week.

The index reached a weekly closing high of 5,788.87 on Monday, September 28, riding the previous week's rebound before steadily declining to its weekly low of 5,629.03 on Friday, October 2.

Market turnover slipped by -2.48% w/w to P35.41-B from P36.31-B in the previous week. Foreign investors stepped up selling, posting net outflows in four of five sessions and bringing weekly net foreign outflows to P4.57-B. Foreign participation accounted for 55% of total market transactions.

All sectors ended in the red. Property and Holding Firms declined by -1.42% w/w to 1,735.36 and -1.41% w/w to 4,084.45, respectively. Industrials and Financials lost -3.46% w/w to 7,334.99 and -2.87% w/w to 1,759.39, respectively. Services fell sharply by -5.54% w/w to 3,015.53 on heavyweight declines. Mining & Oil posted the steepest drop, tumbling by -6.16% w/w to 19,332.20, with profit taking and lower gold prices affecting the sector.

Reflecting the broad sell-off, market breadth turned deeply negative, with 58 gainers, 163 losers, and 19 unchanged issues.



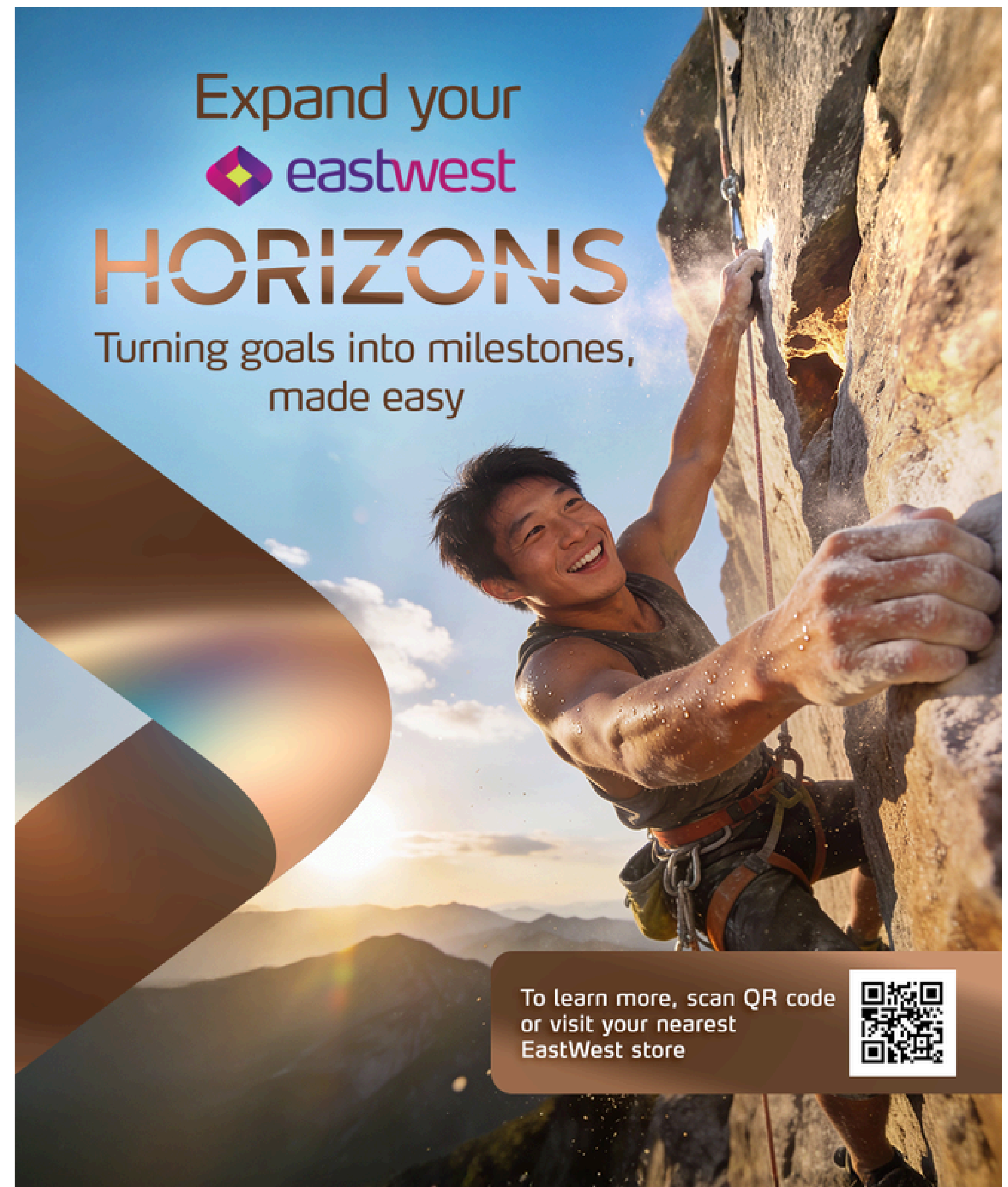
Source: Investa. (2026). PSE:PSEI - Philippine Stock Exchange Index (PH) | Price and Chart | Investagrams. Investagrams. <https://www.investagrams.com/Stock/PSE:PSEI>

**Outlook:** The local bourse may be sensitive to the upcoming local inflation release, largely expected to accelerate over the August reading. Investors may also shift attention towards the Mynt public offer period from October 6 to 12, where the final price was listed at P6.60/share, tentatively listing on the local bourse by October 20th.



## OUR OUTLOOK

- 1 **US:** Focus may center on US Macro data that will gauge economic resilience and inflation expectations.
- 2 **PH:** Key attention might be on the September inflation release, foreign capital flow dynamics, and whether domestic buyers will defend multi-month support levels.
- 3 **Eyes on Mynt:** Market may pivot its focus on the Mynt/GCash IPO offering.



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