

Economic Watch



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

Issue 38: October 12, 2026



THE LOCAL READ



Source: Caraan, R. M. (2020, April 4). City skyline under white clouds during daytime. Unsplash.com; Unsplash. <https://unsplash.com/photos/city-skyline-under-white-clouds-during-daytime-OAWVZyvik0Q>

August Employment Improves; September Inflation Heats Up; GIR Settles to \$100.0-B

First-week local macro data releases highlight some recovery in the labor market meeting renewed price pressures and external risks.

Results from the August round of the Labor Force Survey highlight an encouraging improvement in the labor market conditions as the total number of employed individuals increased by 574,000 to 50.10-M persons m/m (prev. 49.21-M), pushing the unemployment rate down to 5.3% (prev. 6.0%). Overall labor force participation expanded to 64.0% (52.56-M active individuals), as strong hiring in agriculture, education, and service activities offset job losses in public administration and manufacturing.

Meanwhile, headline inflation accelerated to +7.2% y/y in September 2026, breaking a four-month easing trend and rising from +6.1% y/y in August, leaving YTD inflation at 5.4%, above the Bangko Sentral ng Pilipinas target range of 2.0% to 4.0%. Escalating prices in food items, particularly rice at +20.3% y/y along with seafood and fruits, drove the overall uptick alongside higher transport and energy expenses.

At the end of the same month, the country's Gross International Reserves (GIR) slid to \$100.0-B (prev. \$110.8-B) on the back of BSP'S forex volatility management, downward adjustments in its gold and foreign-currency holdings, and NG's repayment of foreign-denominated debt. Import cover declined to 6.3 months (prev. 6.6). BSP may use its reserves to manage sharp movements in the peso-dollar rate, and the economy uses it to pay for foreign debt and imports.

Outlook: Elevated food prices and recent weather disruptions could influence inflation developments in the coming months. Q4 holiday effects may kick in soon, leading to better employment conditions and larger international reserves, but the tepid macro environment may keep gains subdued.

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GLOBAL LENS

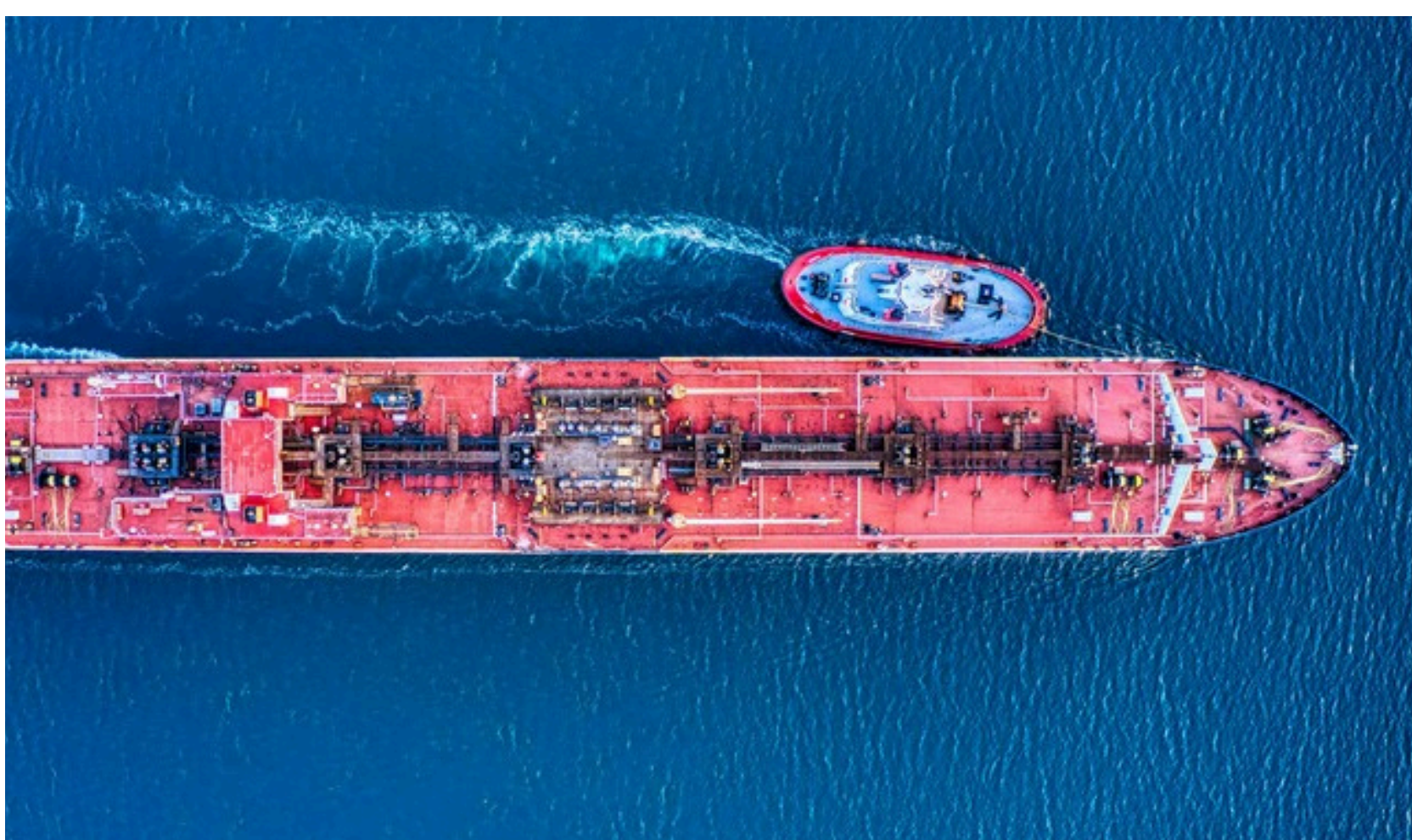


Image Source: Venti Views. (2020, February 24). A red oil tanker shot from directly above. Unsplash.com; Unsplash. <https://unsplash.com/photos/aerial-view-of-city-buildings-beside-body-of-water-during-daytime-ASmaVy54AZM>

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Smith, I. (2026, October 8). Big investors 'bottom fish' in Eurozone bond markets after France sell-off. Financial Times. <https://www.ft.com/content/9cf103ed-548e-4b06-baed-71632abca961>

Crude Oil Steady; Eurozone Bonds Trek Higher



WTI crude oil prices hovered between \$87-93/barrel last week, initially tumbling as President Trump ruled out further military action citing active negotiations with Tehran. A shipping cost and tanker strike flareup pulled prices closer to the \$93/barrel-mark, afterwards, though this normalized towards \$91.60/barrel by Friday. However, tensions flared over the weekend with a deadly Houthi attack on a Riyadh airport, which could raise prices if met with escalation.



Meanwhile, inflation concerns and fiscal woes noticeably spread to European markets, especially as French bonds yields spiked near 4.9% (a near 25-year high), with bond traders moving on policies expected to widen the budget deficit. Country spreads against German Bunds also widened, even as U.S. Treasury yields edged down.



Outlook: Geopolitical developments, energy prices, and central bank decisions could influence global market activity. Asset prices will stay sensitive to energy supply, rate decisions, and corporate earnings.



FOREX FOCUS

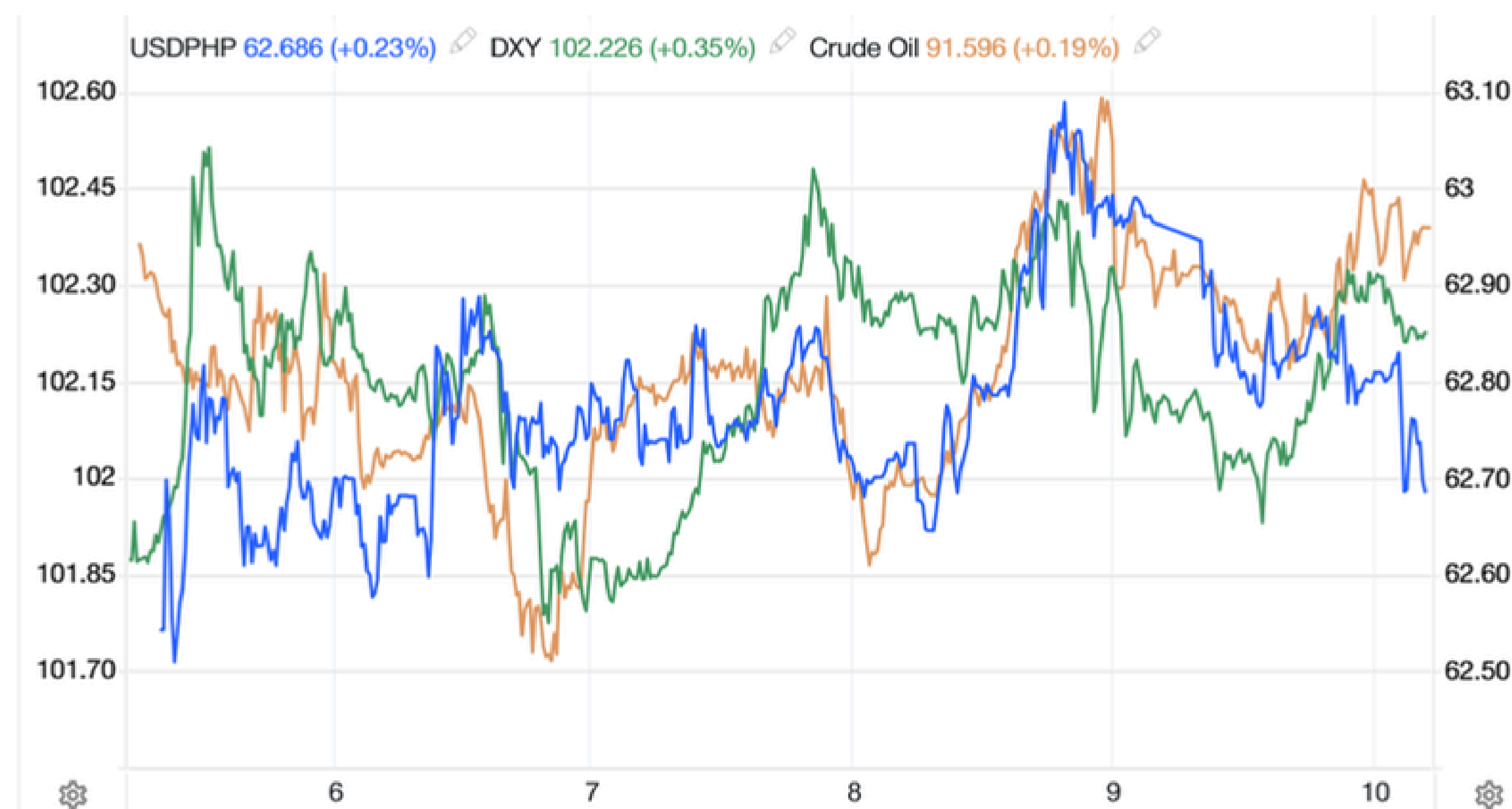
Peso Hits New Record-Low Close Against US Dollar

Soaring inflation and slightly stronger U.S. dollar impacted the movements of peso-dollar rate this week.

The daunting inflation print released on Tuesday initiated the upswing in USDPHP to a new record of P62.90/\$. It moderated with the U.S. dollar and ended the week still at P62.801/\$, still +0.43% higher w/w. Trading remained range-bound but at an elevated range (hourly standard deviation at 0.098 from 0.116 week ago). Firms' and traders' demand remained brisk but the daily average eased by -6.46% to P\$1.45-B from \$1.55-B previously.



Source: PiggyBank. (2022). a pile of money sitting on top of a table. In Unsplash. Unsplash. <https://unsplash.com/photos/a-pile-of-money-sitting-on-top-of-a-table-15bX0fNcjnU>



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

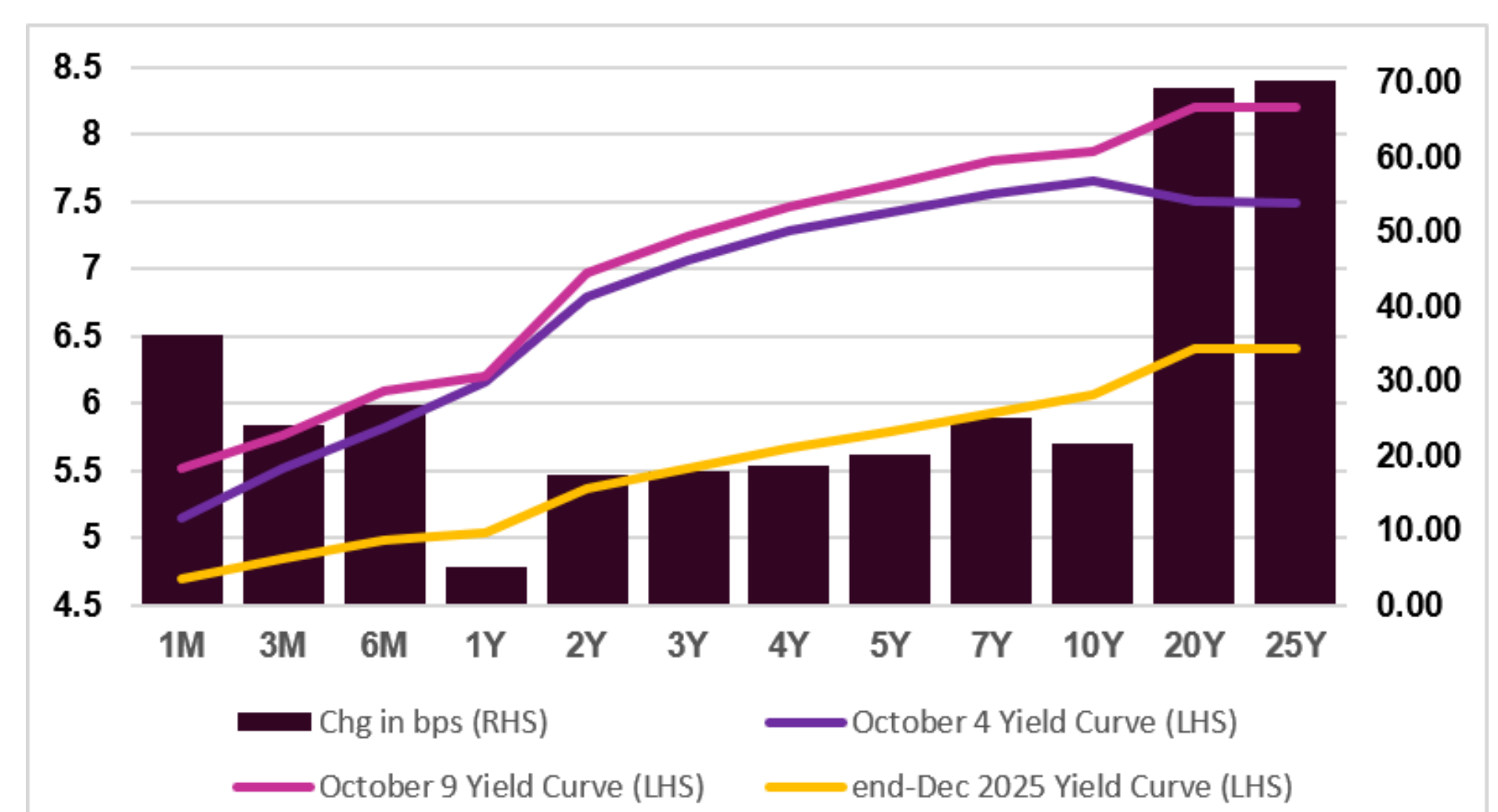
Outlook: Crude oil price movements, upcoming domestic economic data, and developments in the U.S. dollar could influence USDPHP movements in the near term.



THE BOND BLUEPRINT

Yields Move Higher on Faster Inflation Print

The huge surge in local inflation to 7.2% YoY in Sept from 6.2% a month ago drove local yields higher on both auctions and secondary markets amid elevated U.S. interest rates.



Source: Bloomberg, Authors' Calculations

GS Auctions

With follow-on tenders for the 2.5Y Retail Treasury Bond (RTB-32) open through October 7, the Bureau of the Treasury (BTr) made no T-bond offering that week. It raised an additional P82.39-B, on top of the P84.87-B accepted during rate-setting on September 29. Despite weaker risk appetite, the T-bill auction's tender-offer ratio rose to 1.525x from 1.127x a week earlier. BTr again offered P10.0-B in CMBs, with bidders receiving about 10.0 bps more. The 364-day yield rose the least, up 9.9 bps to 6.214%, while the 91-day yield rose the most, up 13.2 bps to 5.667%.

GS Secondary Trading

Yields rose broadly: the 20Y and 25Y jumped 69.3 and 70.4 bps to 8.1976% and 8.2003%, while most other tenors gained about 20 bps, led by the 6M (+26.7 bps to 6.092%) and 7Y (+25.0 bps to 7.8135%); only the 1Y rose by single digits. The 10Y gained 21.6 bps to 7.8737%, after Thursday's eight-year high of 8.115% (previously 8.189% in October 2018). Trading rose 8.6% to P107.0-B from P98.5-B. Inflation-driven selling mostly focused on 8.5Y FXTN 10-73 and 9.5Y FXTN 10-74 lifted the 7Y-10Y share 7.21 points to 17.9%; the 5Y-7Y share rose 2.8 points to 4.2%, at the expense of the 3Y-5Y space which gave up -10.3% points. <6M and 1Y-3Y took smaller slices from the 6M-1Y space (-2.90%).



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

Outlook: Expectations surrounding U.S. monetary policy and movements in global yields could influence local bond market activity.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of October 12	W/W Change
SMC	62.1	5.7%
TEL	1,150.0	5.7%
MER	437.0	5.0%
ACEN	2.8	5.0%
AC	539.0	4.7%
SCC	11.6	-13.4%
JGS	17.1	-5.6%
EMI	15.2	-2.1%
GLO	1,528.0	-1.7%
AREIT	36.8	-1.6%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved October 12, 2026 from "Workspace Add-in for Excel"

PSEi Rebounds on Bargain Hunting

The PSEi rebounded by 1.28% w/w, or 71.96 points, to close at 5,700.99, reversing the previous week's sharp decline. The index posted a weekly closing high of 5,743.21 on Monday, October 5 on early sector rotations, before falling to a low of 5,610.39 on Thursday, October 8 on inflation, oil and exchange rates woes. Bargain hunters stepped in after Thursday's sharp selloff, though gains later gave way as participants took profits in the risk-off environment.

Market turnover rose 21.72% w/w to P43.10-B from P35.41-B in the prior week, driven by a sharp increase in trading volume on Thursday, October 8, when transactions reached P21.14-B. Foreign investors were net buyers in two of five sessions—Monday and Wednesday—but still recorded a net weekly outflow of P1.30-B, easing from P4.88-B in net selling the previous week. Foreign participation accounted for 40% of total market transactions.

Sectoral performance turned positive, with five of six sectors advancing. Holding Firms led gains, rising 2.98% w/w to 4,206.15 from SMC's and AC's event-driven buying, followed by Industrials at 1.35% to 7,434.06 on bargain hunting. Property and Financials climbed 1.27% to 1,757.41 and 0.72% to 1,772.10, respectively, while Services edged up 0.56% to 3,032.37. Mining & Oil was the sole decliner, slipping 0.32% to 19,271.25 as sector valuations tracked softer metals prices.

Market breadth improved but remained negative, with 98 gainers, 123 losers, and 26 unchanged issues.



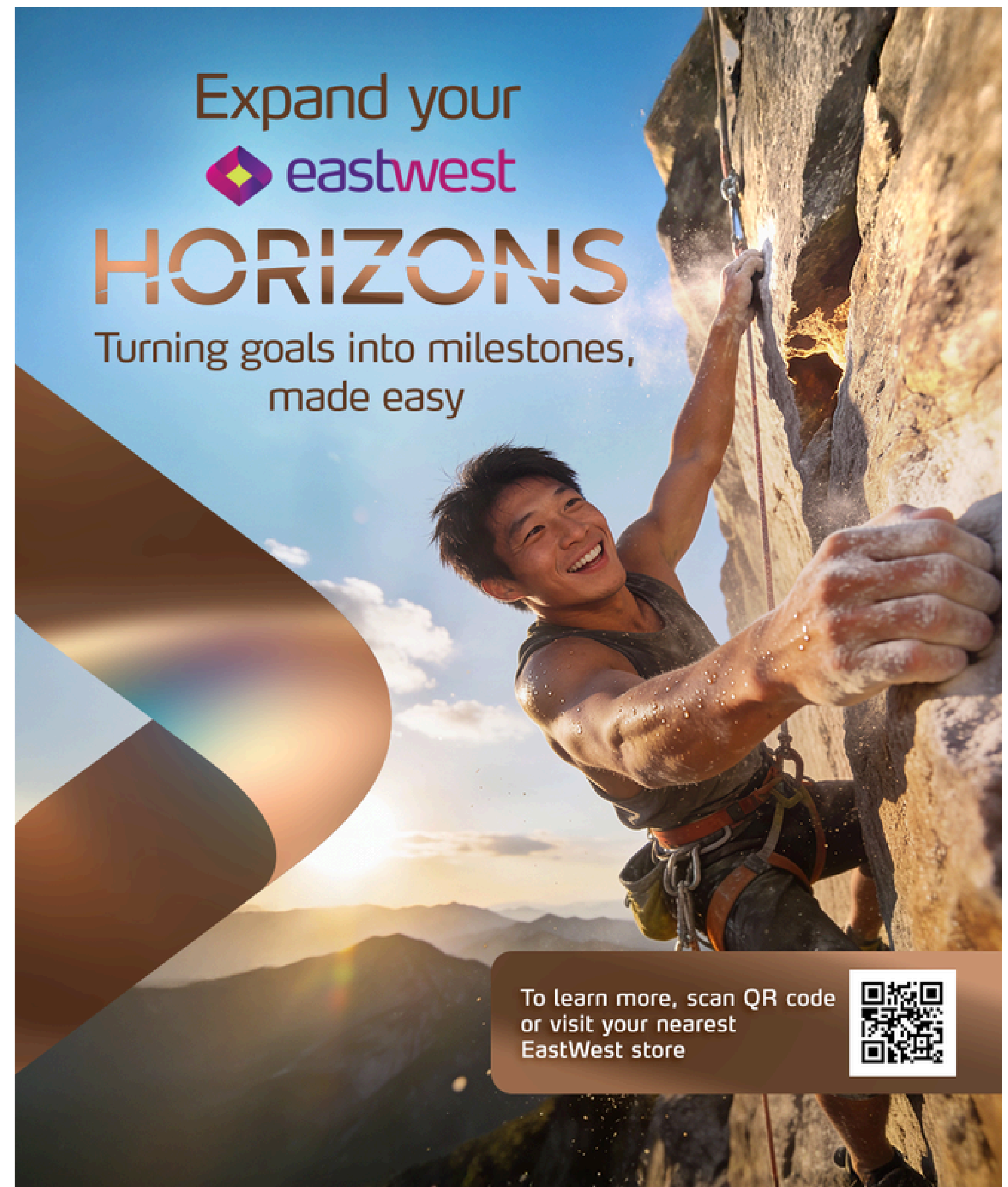
Source: Investa. (2026). PSE:PSEI - Philippine Stock Exchange Index (PH) | Price and Chart | Investagrams. Investagrams. <https://www.investagrams.com/Stock/PSE:PSEI>

Outlook: The local bourse's recent rebound, elevated interest rates, and developments in the broader economy could influence market activity. Investors may be tracking hawkish central bank outlooks and elevated interest rates, which usually weigh on equity valuations.



OUR OUTLOOK

- 1 **US – Inflation:** September CPI data (Oct 14) could influence expectations for the Fed's policy path.
- 2 **US – Q3 Earnings:** Upcoming Q3 earnings may provide insights into corporate performance.
- 3 **US – FOMC Insights:** Recent meeting minutes and Fed commentary may offer guidance on interest rates and balance sheet runoff.
- 4 **PH – BSP Positioning:** Investors may position ahead of the Oct 22 Monetary Board decision, with US-PH rate differentials in focus.
- 5 **PH – Economic Data:** Remittance and trade figures may provide indications of current account stability and peso support.
- 6 **PH – Mynt/GCash IPO:** Strong investor demand for the offering could influence market sentiment ahead of its tentative Oct 20 listing.



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