Economic Watch

eastwest

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THE LOCAL READ

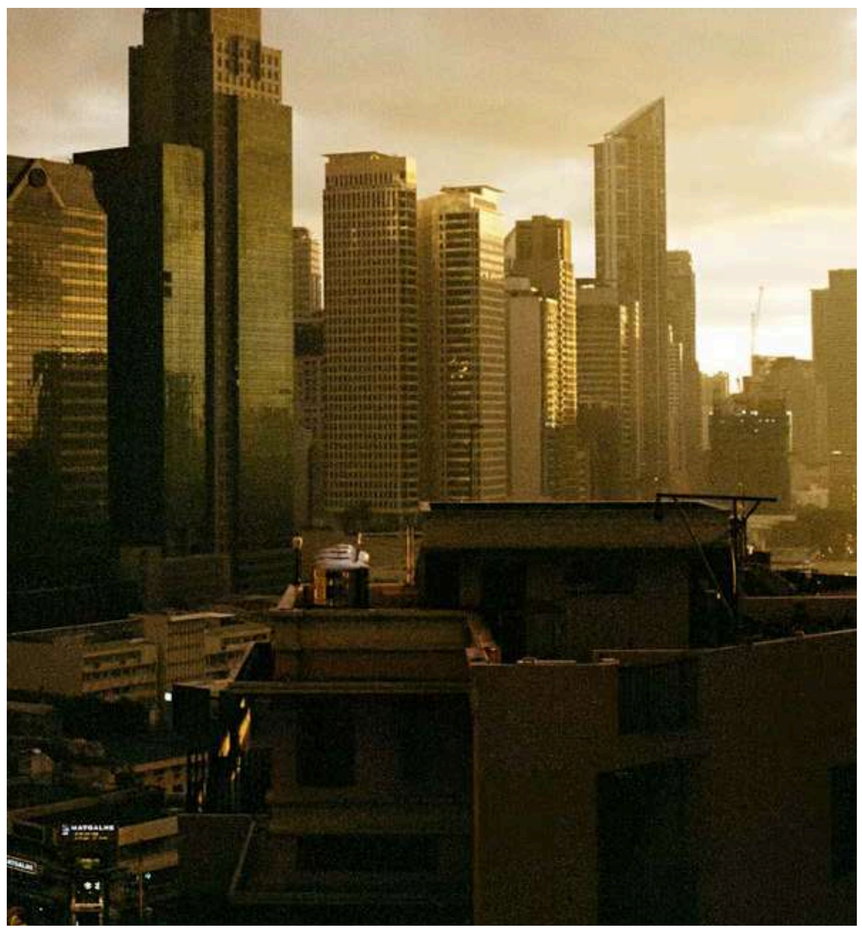
BSP Makes Jumbo Rate Hike; NG Budget Deficit Edges Higher

Last Thursday, the Bangko Sentral ng Pilipinas (BSP) unexpectedly raised its benchmark rate by 50 basis points to 5.50%, its highest in nearly two years and largest increase since February 2023. The move followed a rebound in headline inflation to 7.2% in September amid higher oil prices, transport fares, peso weakness, and El Niño-related supply risks. Governor Eli Remolona, Jr. said the BSP remains open to further tightening to anchor inflation expectations.

Meanwhile, the national government's (NG) budget deficit rose 0.33% year on year to P248.9 billion in September 2026, as spending climbed 7.04% to P567.1 billion and revenues grew 12.95% to P318.2 billion. The nine-month shortfall widened 16.64% to P1.303 trillion, 8.08% above target and over 78% of the full-year ceiling. Stronger tax collections were outweighed by higher spending on social programs, local allotments, and infrastructure.

Outlook: Private spending may remain subdued in the medium term as households continue to navigate higher interest rates and inflationary pressures. At the same time, continued infrastructure underspending may affect economic activity if spending trends persist.

Chan, K. (2026, October 22). BSP surprises with jumbo rate hike, signals further tightening. BusinessWorld Online. https://bworldonline.com/top-stories/2026/10/22/788741/bsp-surprises-with-jumbo-rate-hike-signals-further-tightening/
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Source: Gellidon, J. (2024, June 28). A view of a city from a high rise building. Unsplash; Unsplash. https://unsplash.com/photos/a-view-of-a-city-from-a-high-rise-building-L4V3GBq1x0Q

GLOBAL LENS

Volatile Crude Oil; U.S. Jobless Claims Below Expectations

·WTI crude showed some volatility over last week, rising above $104 per barrel on Middle East supply concerns before easing to $96–$98 on profit-taking. Prices later rebounded to settle above $100, supported by tight global supply, disruptions, and El Niño-related production risks.

·Meanwhile, filings for U.S. unemployment insurance slipped to 194,000 (past year average: 212,000) as job market conditions keep stable. Nonfarm payrolls to be released on November 6 may move higher tracking strong labor market strength. U.S. labor data feeds into Fed policy bets, with markets tracking conditions between the Fed's dual mandates.

Outlook: Crude oil settling back above $100 per barrel alongside mild U.S. job claims highlights a macro environment defined by persistent supply-driven inflation and economic resilience. With Middle East geopolitics and El Niño risks keeping energy prices elevated, strong labor conditions reinforce expectations that the Federal Reserve will maintain a "higher-for-longer" interest rate path, with FedWatch futures pricing in a hold for the October meeting and a hike in December.



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

Article Sources: Alashray, E., Ghobari, M., & Abouhassira, E. (2026, October 15). Yemen's Houthis hit palace in Aden, coalition details attacks on Saudi infrastructure. Reuters. Sayeed, S., Shahid, A., & Holland, S. (2026, April 25). Trump cancels envoys' Pakistan trip, in blow to hopes for Iran war breakthrough. Reuters. https://www.reuters.com/world/middle-east/us-negotiators-go-islamabad-iran-says-no-direct-talks-2026-04-25/
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FOREX FOCUS

Peso Dollar Keeps Above P63/$

Despite mild weakness of U.S. dollar, USDPHP opened at stayed above P63.00/$ during the week, i.e., driven more by another round of crude oil price which kept WTI above $100/barrel.

USDPHP closed week at P63.615/$ or a 1.0% w/w uptick from P62.895 in the prior week, manifesting a clear uptrend. It featured more volatility (hourly std. dev.) of 0.2128 from 0.1211 primarily due to the higher trading range. Average daily trading volume speeded up by 22.24% w/w to $1.49-B from just $1.22-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-1SbXOfNcjnU



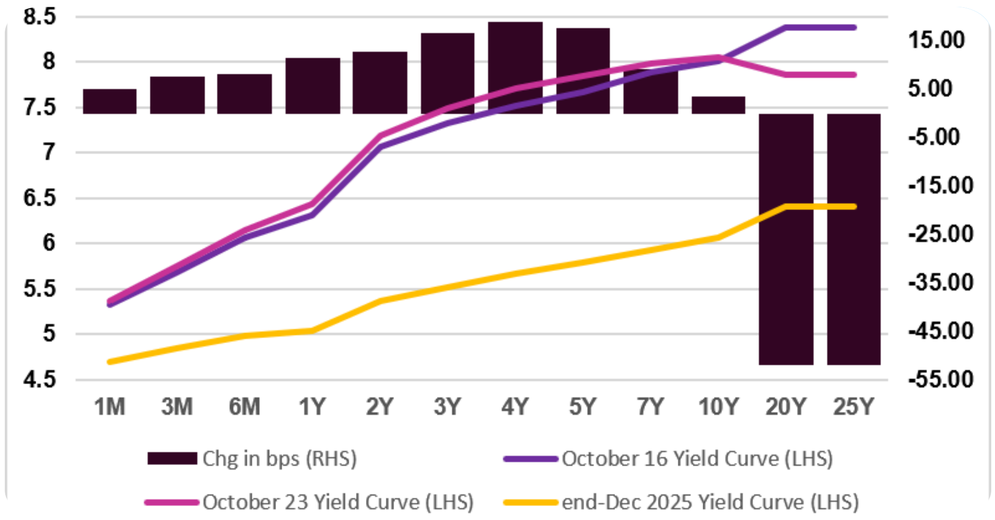
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/usdphp:cur

Outlook: USDPHP may remain sensitive to movements in crude oil prices and other external market developments. A possible but unlikely easing of U.S. bond yields could provide some downside.

THE BOND BLUEPRINT

Yields Track Higher Inflation Outlook, Jumbo Rate Hike

Just like in the FX market, the rise in crude oil prices above $100/barrel (WTI) coincided with higher local bond yields during the period.



Source: Bloomberg, Authors' Calculations

GS Auctions

More intense risk aversion leading investors to focus on shorter tenors, the overall Tender-Offer-Ratio (TOR) improved to 1.4187x from 1.278x. This became more obvious as the 35-day Cash Management Bills (CMB) posted its highest TOR of 2.301x and TOR slid with longer maturities. Yields in turn climbed further with 91-day Treasury bills (T-bills) up by 14.7 basis points (bps) to reach 5.992%, while the 182-day papers only added 5.8 bps to 6.229%. The 4.7Y (FXTN20-17) could only attract 91.2% of the P30.0B offer, and BTr accepted 71.3% it placed on the table.

GS Secondary Trading

Keeping safe at the short side, anemic trading persisted at P133.9-B a tad less by -1.0% from P135.0-B previously. The lion's share went to 3M-6M bucket which got 71.7% share up by 12.9% pct points, and cumulatively, <3Y took 93.2% of total trading. The yields upswing swept across the curve, except surprisingly for 20Y and 25Y which saw huge -51.9 bps and 52.1 bps to end even lower than 10Y benchmark. The latter steadied at 8.054% a mild 3.6 bps uptick as U.S. Treasuries mildly eased. Still, we saw double digit gains for 1Y (+11.5 bps to 6.434%) to 17.6 bps ending at 7.8496% for 5Y maturities.



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

Outlook: Market activity may continue to be influenced by oil prices, inflation expectations, and global rate developments. Easing pressure from U.S. Treasury yields may support local fixed-income market conditions.

THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Oct 23	W/W Change
AEV	40.3	3.2%
ALI	15.7	2.1%
MBT	61.5	2.0%
MYNLD	16.9	1.8%
SMC	65.1	1.7%
RCR	6.1	-9.5%
CNPF	28.6	-7.6%
MER	418.6	-6.5%
SCC	11.6	-5.7%
TEL	1,190.0	-4.8%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved Oct 19, 2026 from "Workspace Add-in for Excel"

PSEi Retreats on Jumbo Rate Hike

The PSEi slipped by -0.94% w/w (down -54.07 points) to close at 5,728.63, reversing its previous week's gains. The index reached a weekly high close of 5,821.51 on Wednesday, October 21, before giving up ground over the final two sessions to touch its weekly low close of 5,728.63 on Friday, October 23. Initial optimism following the Mynt IPO and lower global yields invited bargain hunters, but gains later gave way amid a weaker peso and the BSP's unexpected 50 bps rate hike.

Market turnover surged by +161.21% w/w to P84.86-B, rising sharply from P32.49-B in the prior week. A massive trading volume spike on Tuesday, October 20, which logged P58.90-B in value traded, heavily propelled this growth. Foreign investors pulled out a substantial net P9.08-B in weekly foreign outflows, representing a steep increase from the P942.44-M net selling in the prior week, despite buying on three out of five sessions from Wednesday through Friday. Foreign participation expanded to account for 78% of total market transactions.

Nearly all sectors posted losses, with Holding Firms standing as the sole gainer after edging up +0.16% w/w to close at 4,259.55. Mining & Oil suffered the heaviest loss of the week, tumbling -3.44% w/w to end at 18,560.72.

Market breadth turned negative, ending the week with 91 gainers to 114 losers and 35 unchanged.



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

Outlook: Markets may continue digesting the BSP hike among sector rotations. Q3 earnings season may paint a better picture of local corporates' health, though oil prices and the exchange rate may keep breakouts contained.

OUR OUTLOOK

1 **US - FOMC Rate Decision & Guidance:** Markets will monitor the upcoming FOMC meeting and Chair guidance for indications of future policy direction, including views on a possible December rate increase.

2 **US - Mega-Cap Earnings:** Major tech earnings releases will test equity valuation multiples against current 10-year Treasury yields.

3 **US - Crude Oil Dynamics:** Energy market movements near USD 116/bbl continue to influence inflation expectations globally.

4 **PH - Pre-CPI Positioning:** Markets will begin positioning ahead of early November's October Consumer Price Index (CPI) report, which serves as a critical test for further BSP policy tightening.

5 **PH - Q3 Earnings Kickoff:** Initial corporate quarterly results will provide fundamental catalysts for index-heavy conglomerates, banks, and power/utility providers.

6 **PH - FX -** Institutional investors will monitor whether the expanded 150 bps rate differential successfully stabilizes the USD/PHP pair against global strength.



This product feature is separate from and not influenced by the market commentary shown.

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?