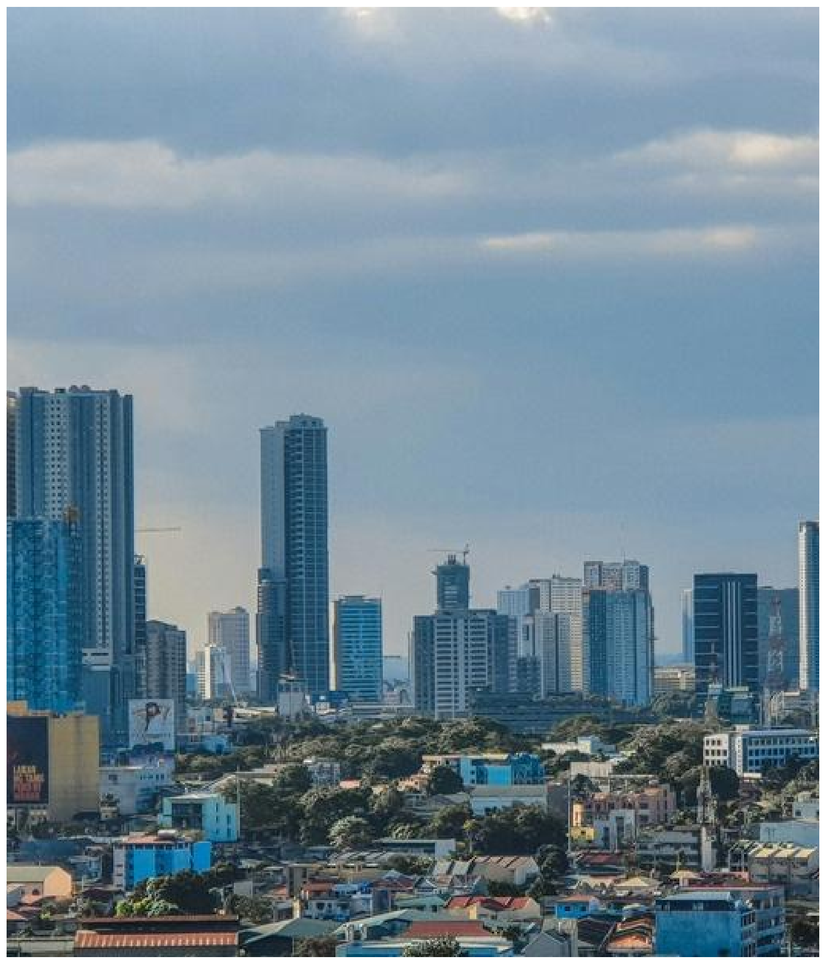
Economic Watch

eastwest

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

Issue 41 : November 3, 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

Firms Turn Less Pessimistic in September; Faster October Inflation Seen; September Exports Hit Record High

Philippine corporate mood showed encouraging signs of a turnaround in September, with the central bank's Business Expectations Survey climbing to -8.4% from -10.9% in August. The uptick suggests that pessimism has likely bottomed out, as domestic firms increasingly adapt to supply-chain friction and elevated energy costs. Long-term outlooks have declined, but remain positive (3M: +20.9%), (12M: +26.5%), the immediate pickup highlights strong operational adaptability, positioning businesses well to capitalize on the upcoming fourth-quarter seasonal demand surge.

Meanwhile, headline price growth appears to be reaching its peak, with the Bangko Sentral ng Pilipinas forecasting October inflation to land between 7.1% and 8.1%. Local analysts predict roughly 8% inflation for the final quarter of the year. While transient spikes in fuel prices and utility tariffs are driving this final leg up, reaching a peak in Q4 provides clear line-of-sight toward price stabilization. With the BSP's proactive stance firmly anchoring long-term expectations, this anticipated crest clears the runway for cost pressures to subside and paves the way for a welcome disinflation trend in the coming quarters.

On a positive note, September exports hit a record $9.87-B, soaring by +35.6% y/y on robust AI-powered electronics demand. However, the trade deficit widened to $5.15-B, some +10.3% y/y higher as elevated oil prices and a weak peso raised import costs.

Outlook: The convergence of elevated October CPI (7.1%–8.1%) and a softer Q3 GDP growth trajectory confirms that cost-push inflation remains the main obstacle to stronger economic expansion. While seasonal Q4 consumer spending and private consumption will provide a buffer, sustained recovery into 2027 hinges on oil price stabilization, accelerated public infrastructure spending, and the easing of global supply shocks.

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/
Chan, K. (2026, November). Philippine firms' outlook turns less upbeat in september. BusinessWorld Online. https://bworldonline.com/top-stories/2026/11/01/790620/philippine-firms-outlook-turns-less-upbeat-in-september/
Cordero, T. (2026, October 30). BSP sees october inflation to rise as fast as 8.1%. GMA News Online. https://www.gmanetwork.com/news/money/economy/1007710/bsp-sees-october-inflation-to-rise-as-fast-as-8-1/story/

Cruz, B. M. (2026, October 30). Philippine trade gap widens in september as exports grow fastest in 5 years. BusinessWorld Online. https://bworldonline.com/top-stories/2026/10/30/790480/philippine-trade-gap-widens-in-september-as-exports-grow-fastest-in-5-years/

GLOBAL LENS



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

Peace Soundings Bring Down Oil; Tech Earnings in Focus

Crude oil finally broke below the psychological $100/bbl threshold over the weekend after spending the week of October 26–30 anchored above it. While volatile tanker security concerns had kept prices elevated, fresh diplomatic signals from both Washington and Tehran helped thin out geopolitical risk premia, dragging crude down to $97.50/bbl by November 2.

A tough mix of oil price volatility, hawkish Fed expectations for December, and investor impatience sparked a sharp pullback across AI valuations last week. Markets are shifting focus toward hyperscaler balance sheets, questioning whether massive upfront capital expenditures will deliver sufficient long-term return on investment. As a result, upcoming Q3 earnings performance, forward guidance, and Fed rate outlooks will be the primary catalysts steering equity market direction.

Outlook: Global markets may be in for a volatile week as forces from the U.S. midterm elections, oil price uncertainty, and the AI trade converge into financial markets. Consequently, market participants are expected to maintain a cautious posture, awaiting clearer signals on corporate profitability and monetary policy trajectories before rebuilding risk exposure.

Abuomer, E., & Harazim, K. (2026, November 2). Iran war live: Tankers hit in Hormuz; Trump again says conflict to end soon. Al Jazeera. https://www.aljazeera.com/news/liveblog/2026/11/2/iran-war-live-tankers-hit-in-hormuz-trump-again-says-conflict-to-end-soon
Lee, J. (2026, November 2). Oil prices fall amid reports that the U.S. and Iran are both seeking diplomacy. CNBC. https://www.cnbc.com/2026/11/02/oil-prices-fall-as-iran-us-pursue-diplomacy.html
Krauskopf, L. (2026, November 2). October dive for AI-related shares tests broader US stock market's resilience. Reuters. https://www.reuters.com/legal/transactional/october-dive-ai-related-shares-tests-broader-us-stock-markets-resilience-2026-11-02/

FOREX FOCUS

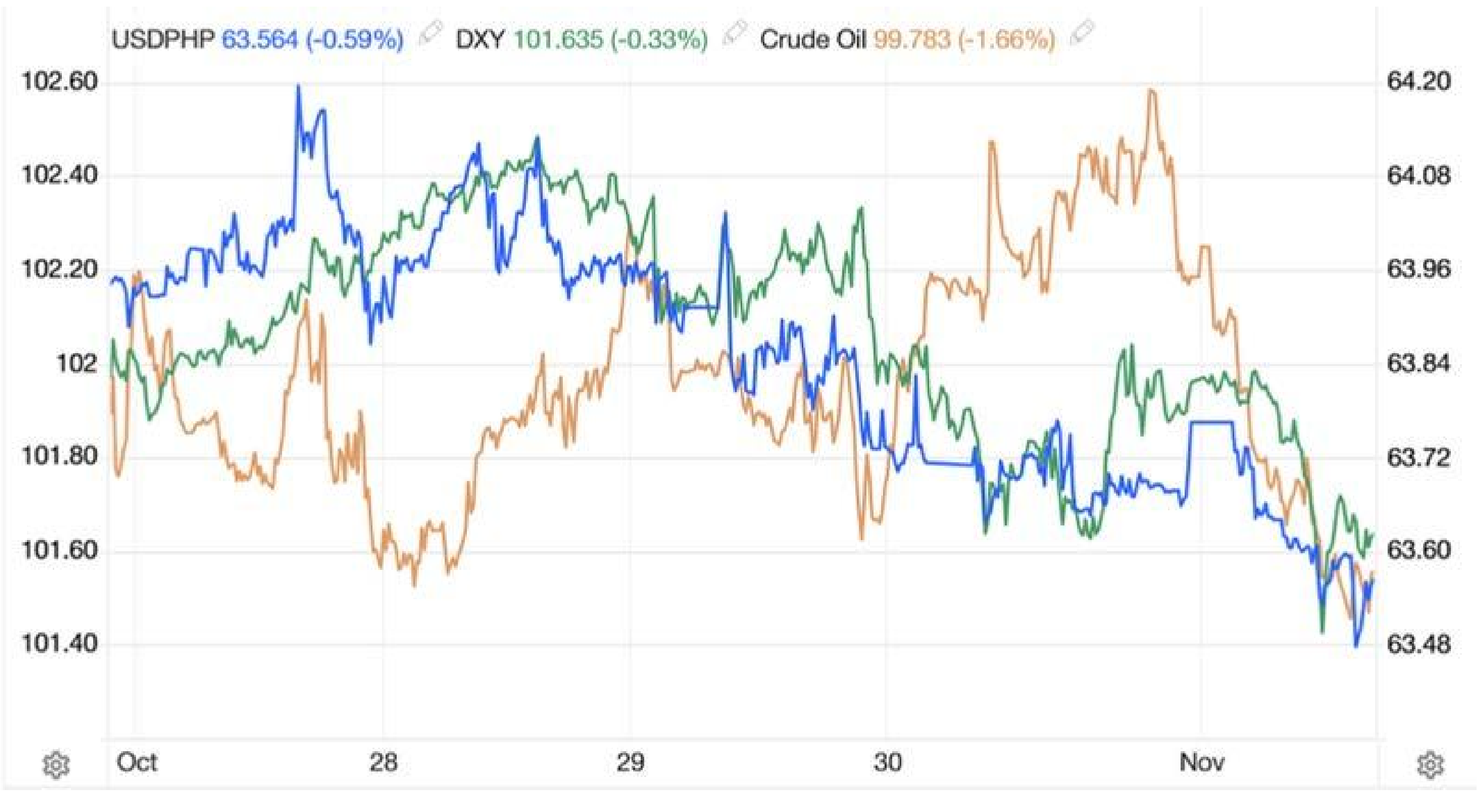
USDPHP Tracks Elevated Oil Price

The renewed upswing in crude oil prices above $100/barrel (WTI) dictated the pattern of USDPHP movements.

The peso-dollar rate went above P64.00/$ twice during the week (with a new record of P64.17/$ on Wednesday) but closed lower at P63.74/$, still a jump of 0.2% w/w. Trading remained brisk, climbing by 4.0% to $1.56-B from $1.50-B previously. The trading range narrowed to P0.135 from P0.214 (standard deviation, hourly readings) but held up at a higher plane.



Source: McArthur, J. (2020, June 2). Currencies. Unsplash.com; Unsplash. https://unsplash.com/photos/10-and-20-us-dollar-bill-ROQzKIAdY78



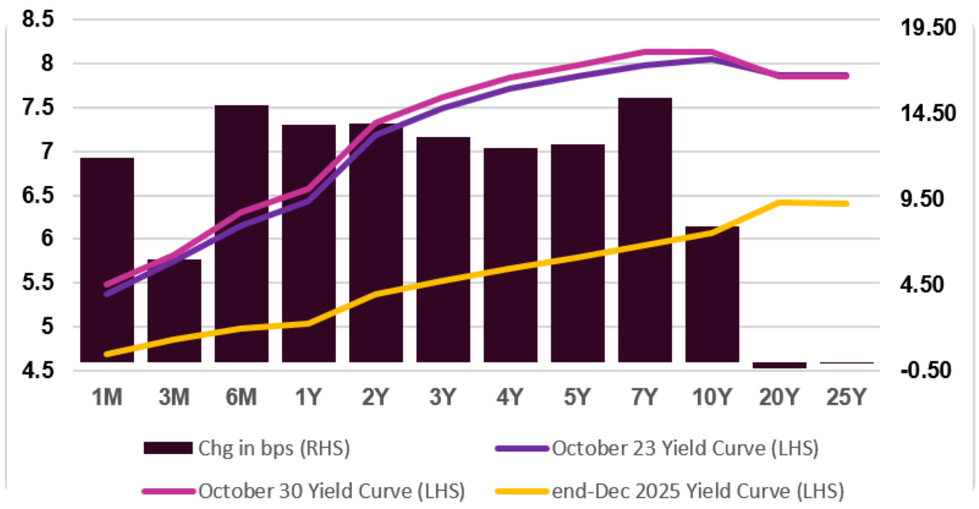
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/usdphp:cur

Outlook: The U.S. dollar's direction may be influenced by the outcome of the U.S. midterm elections and other market developments. Thus, while it will have less impact, its performance would still matter for USDPHP.

THE BOND BLUEPRINT

Bond Appetite Turns Pale on Macro Headwinds

The week saw weak investor demand déjà vu in both auctions and secondary market amid another rebound in crude oil prices after an earlier correction.



Source: Bloomberg, Authors' Calculations

GS Auctions

Tender-offer ratio (TOR) fell to 1.3212x from 1.4187x, with Treasury bonds at 1.00x. Demand favored 35-day CMBs through 182-day Treasury bills, led by 91-day bills at 1.793x. BTr accepted 79.2% of 182-day and 58% of 364-day offers, 61.7% of the P25.0-B 2.9Y FXTN 07-68 offer, and nearly 100% of 9.3Y FXTN 10-74. Bill yields rose again: 364-day yields had the smallest increase (+13.9 bps to 6.583%), followed by 182-day (+20.1 bps) and 91-day yields (+27.2 bps to 6.264%). Strong short-tenor demand lowered 35-day CMB yields by 25.6 bps to 5.589%. Bond yields surged 86.2 bps to 7.737% for 2.9Y and 66.4 bps to 8.189% for the 9.3Y benchmark.

GS Secondary Trading

Yields mostly rose by double digits, except for nearly flat 20Y and 25Y tenors. Short tenors led: increases ranged from 12.5 bps for 4Y (7.8371%) to 15.1 bps for 6M (6.30%), with 1Y and 2Y up 13.9 and 14.0 bps, respectively. The 10Y benchmark rose 8.0 bps to 8.1337%, tempered by easing equivalent U.S. Treasury yields. De-risking cut trading 17.1% to P110.1-B. Maturities <3Y accounted for 76.6%, slightly below the prior week; the <5Y share was 93.3%. Shares of 1Y–3Y and 3Y–5& tenors rose 2.3 and 3.9 percentage points, respectively, mainly at the expense of <1Y. The 7Y–10Y share also unexpectedly gained 2.1 points.



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

Outlook: Bond yields may face upward pressure amid inflation concerns and monetary policy developments. Over a longer horizon, the movement of crude oil prices will renew its impact on local yields.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Oct 30	W/W Change
GTCAP	454.6	4.8%
URC	59.2	2.8%
SMPH	17.5	2.2%
SM	539.0	1.5%
BDO	118.0	1.4%
DMC	6.5	-10.0%
SCC	10.7	-7.4%
PLUS	6.8	-7.1%
TEL	1,122.0	-5.7%
AEV	38.1	-5.5%

Source: LSEG. (2026). LSEG Workspace [Database]. Retrieved November 3, 2026 from "Workspace Add-in for Excel"

PSEi Slips on Macro Headwinds

The PSEi fell by -0.84% w/w (down -48.28 points) to close at 5,680.35, extending its weekly slide. The index hit its weekly low close of 5,641.18 on Monday, October 26, before posting a midweek rebound to reach its weekly high close of 5,761.19 on Tuesday, October 27, and subsequently giving up gains over the remaining sessions. The index moved along with late-month macro news on slow infrastructure spending, faster inflation outlooks, and the peso-dollar rates sliding to new record lows. Mid-week local bargain hunting kept the index above the 5,600 level.

Market turnover contracted by -47.64% w/w to P44.43-B, stepping down from P84.86-B in the previous period. Foreign investors acted as net sellers on four out of five trading sessions (buying only on Tuesday, October 27), culminating in a net P323.93-M weekly foreign outflow. This marks a significant deceleration from the net P8.25-B foreign selling posture recorded the prior week, with foreign participation accounting for 43% of total market transactions.

Sectoral performance was mostly negative, with Industrials standing as the sole gainer after advancing +0.34% w/w to close at 7,318.17. All other sectors finished in the red, as Property edged down -0.07% w/w (to 1,795.80) and Holding Firms fell -0.52% w/w (to 4,237.23). Financials and Services dropped -0.71% w/w (to 1,786.89) and -1.84% w/w (to 2,960.63) respectively, while Mining & Oil suffered the steepest decline, tumbling -1.99% w/w to end at 18,191.43.

Market breadth remained negative, ending the week with 75 gainers to 127 losers and 39 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 trade with a cautious bias, though softer crude oil prices may provide some lift. While Q3 corporate earnings disclosures should trigger selective bargain hunting in fundamental heavyweights, overall index direction will largely be dictated by the upcoming domestic inflation report. A higher-than-expected CPI reading could reinforce expectations of tighter monetary conditions and weigh on market sentiment.

OUR OUTLOOK

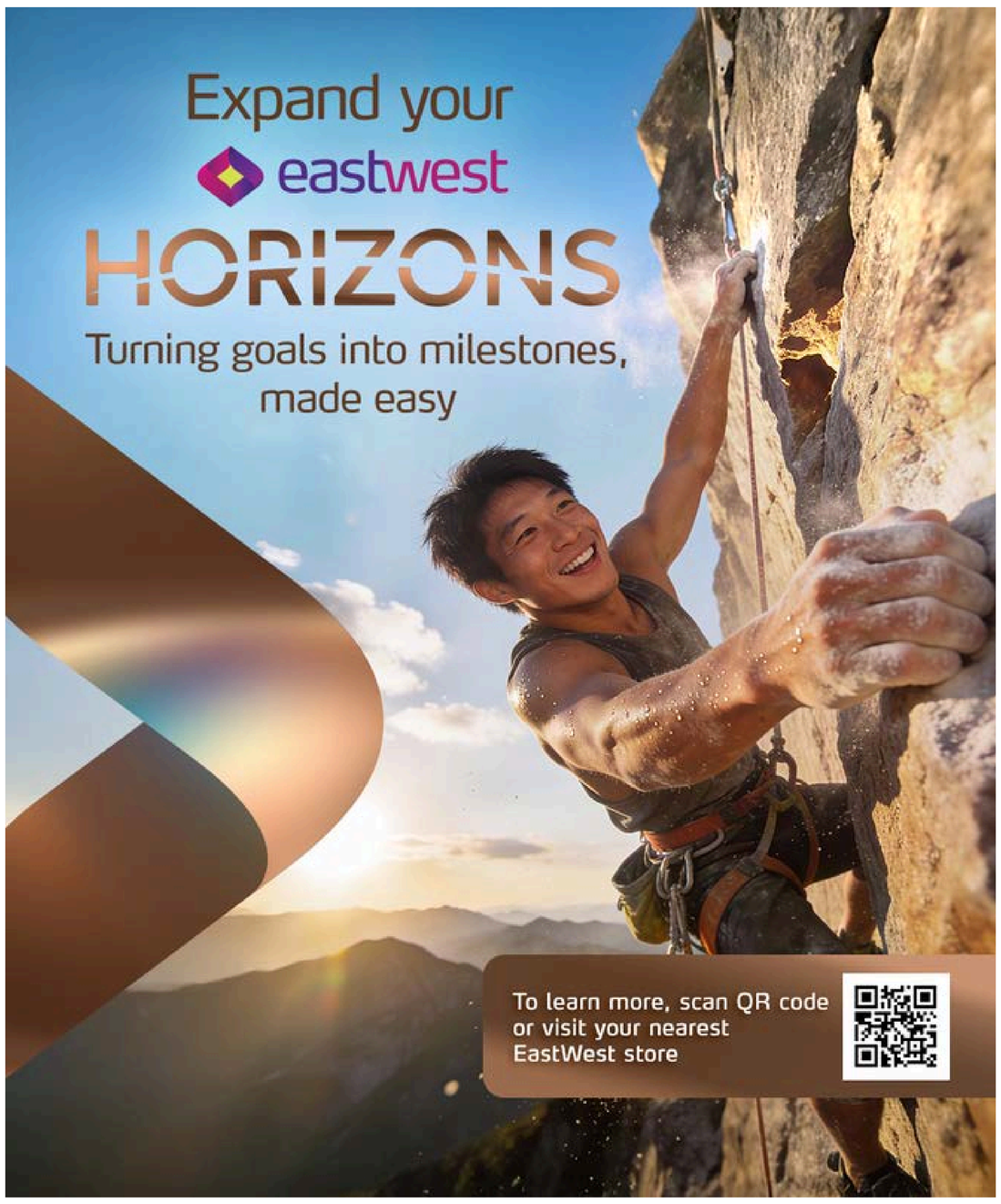
1. US - Q3 Earnings: Tech shares may face pressure if Q3 earnings fall short of elevated market expectations.

2. The election results may influence market sentiment as investors assess the implications for US fiscal and trade policies.

3. Renewed diplomatic talks could ease geopolitical concerns, while further hostilities may increase oil price volatility.

4. The release of October CPI data may influence expectations for BSP monetary policy and movements in bond yields.

5. Weaker-than-expected GDP growth could weigh on investor sentiment and raise concerns over the domestic economic outlook.



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

We take the steadfast trust and support of our clients to further strive for excellence in our service.

Your dream Our focus

www.eastwestbanker.com @eastwestbanker /eastwestbanker @eastwestbanker @eastwestbankph

Deposits are insured by PDIC up to P1 Million per depositor.
For inquiries and feedback, you may call EastWest 24-Hour Customer Service at (+632) 8888-1700 or e-mail service@eastwestbanker.com.
EastWest is regulated by the Bangko Sentral ng Pilipinas. https://www.bsp.gov.ph. EastWest is a Proud Member of BancNet

This newsletter is for general information purposes only and is not intended to constitute investment, financial, or trading advice, nor a recommendation to buy or sell any financial product or security.

Certain views expressed in this publication are based on collaborative and third-party analysis.

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