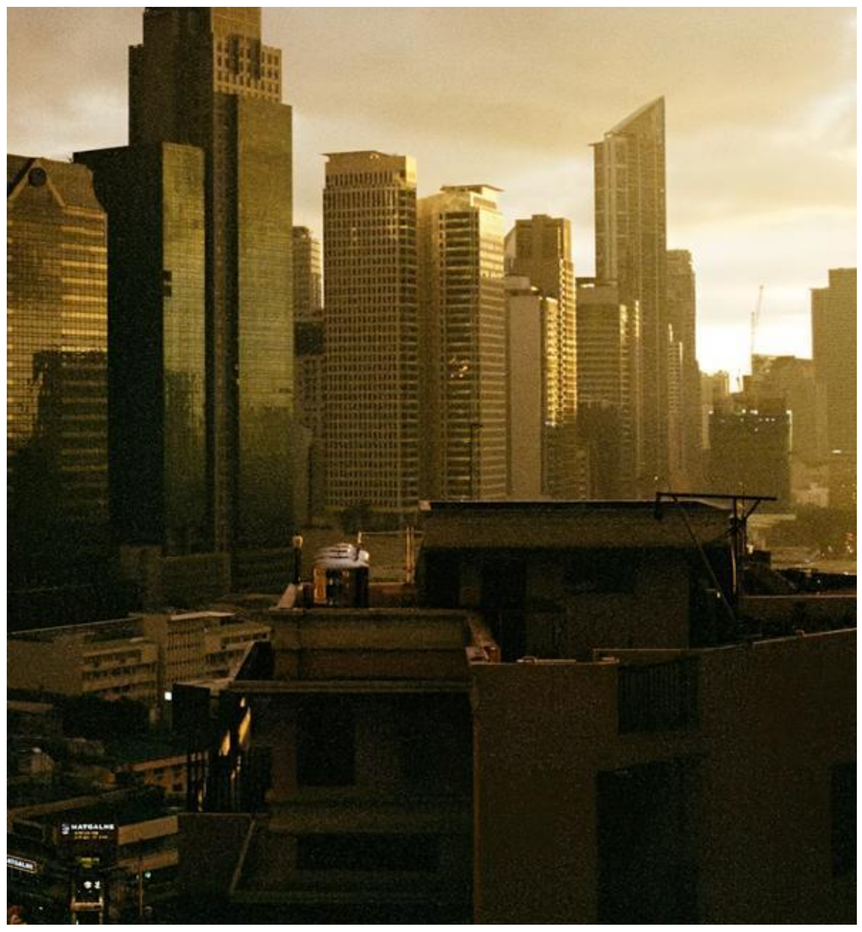
Economic Watch

eastwest

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

Issue 42 : November 9, 2026

THE LOCAL READ



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

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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/

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October Manufacturing PMI Drops; October Inflation at Three-Year High; September Employed Above 50.0-M Persons

The S&P Global Manufacturing PMI slipped to 49.1 in October, extending factory contraction into a second straight month as weak domestic and export demand weighed on output. Elevated borrowing costs from recent Bangko Sentral ng Pilipinas (BSP) rate hikes and El Niño-related disruptions squeezed corporate margins further. That said, seasonal fourth-quarter demand expectations lifted business confidence to a near two-year high.

Headline CPI spiked to a near three-year peak of 7.8% in October as surging energy prices drove up transport fares and utility rates. Core inflation accelerated to 5.4%, suggesting broader price pressures. This sharp inflation print may push a more hawkish policy stance from the BSP.

Despite mounting price pressures on household budgets, the labor market in September demonstrated solid consumer resilience. Total employment grew by +534,000 jobs, hitting 50.32 million persons—the highest since June this year. September unemployment rose to 5.4%, but an influx of nearly one million youth joining an expanding workforce drove this structural uptick, rather than net job loss. Total employment expanded to 50.32 million, while active hiring in retail, trade, and hospitality pulled underemployment down to 11.0%. This service-sector strength supports retail-focused equities, though near-term headwinds for construction jobs (-416,000) may lift with PAG-IBIG loan expansions.

Outlook: While third-quarter GDP may come in below the 3.5% target and fourth-quarter inflation may face pressure from holiday spending, oil volatility, and El Niño food prices, this temporary slowdown may mark the trough of the current cycle. As cost pressures potentially ease next year, renewed public infrastructure spending and steady household consumption could support a recovery in 2027, although the pace will depend on inflation and broader economic conditions. This gradual macroeconomic stabilization may help rebuild investor confidence and lay a sounder foundation for corporate earnings heading into the new year.

GLOBAL LENS

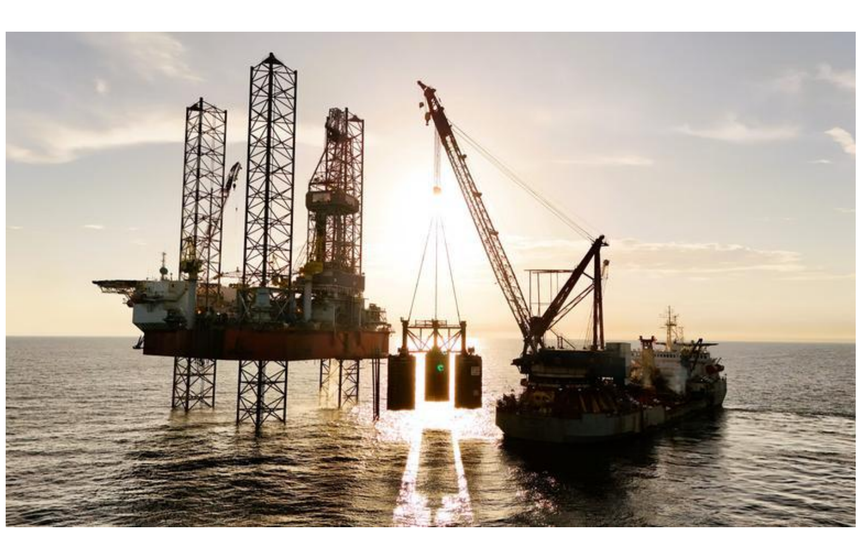


Image Source: J.f Manzanero. (2025, June 4). An oil rig being serviced by a supply ship. Unsplash; Unsplash. https://unsplash.com/photos/an-oil-rig-being-serviced-by-a-supply-ship-3J2FB7BItdA

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U.S. Midterm Elections Push Oil Lower; U.S. Jobs Stronger than Expected

WTI crude tumbled ~13% over the week to settle near $90.80/bbl (hitting a mid-week low of $88.12/bbl) as Democratic gains in the US midterms triggered a rapid unwind of geopolitical risk premia. Shifted market expectations toward diplomatic de-escalation with Iran and tighter war-funding constraints drove the sell-off, providing temporary cost relief for net energy importers. While persistent supply-chain risks around the Strait of Hormuz cushioned losses near the $90 threshold by Friday's close, crude markets remain vulnerable to broader global demand headwinds.

U.S. nonfarm payrolls surged by 165,000 in October 2026, blowing past market expectations of 59,000 and pushing the unemployment rate slightly lower to 4.1%. Broad-based hiring gains across professional services, healthcare, and transportation marked unexpected labor market strength. This highlights an economy absorbing labor despite elevated interest rates, though strong job creation and steady wage growth may complicate future monetary policy by giving central bankers less leeway to aggressive interest rate cuts.

Outlook: Global financial markets may keep an eye out for oil price movements, as well as critical U.S. inflation data, with October CPI and PPI reports taking center stage alongside a flurry of Federal Reserve commentary. Following October's upside nonfarm payrolls surprise, a hotter-than-expected inflation reading would solidify hawkish Fed expectations for a December rate hike, driving Treasury yields and the U.S. dollar higher while pressuring rate-sensitive equity valuations.

FOREX FOCUS

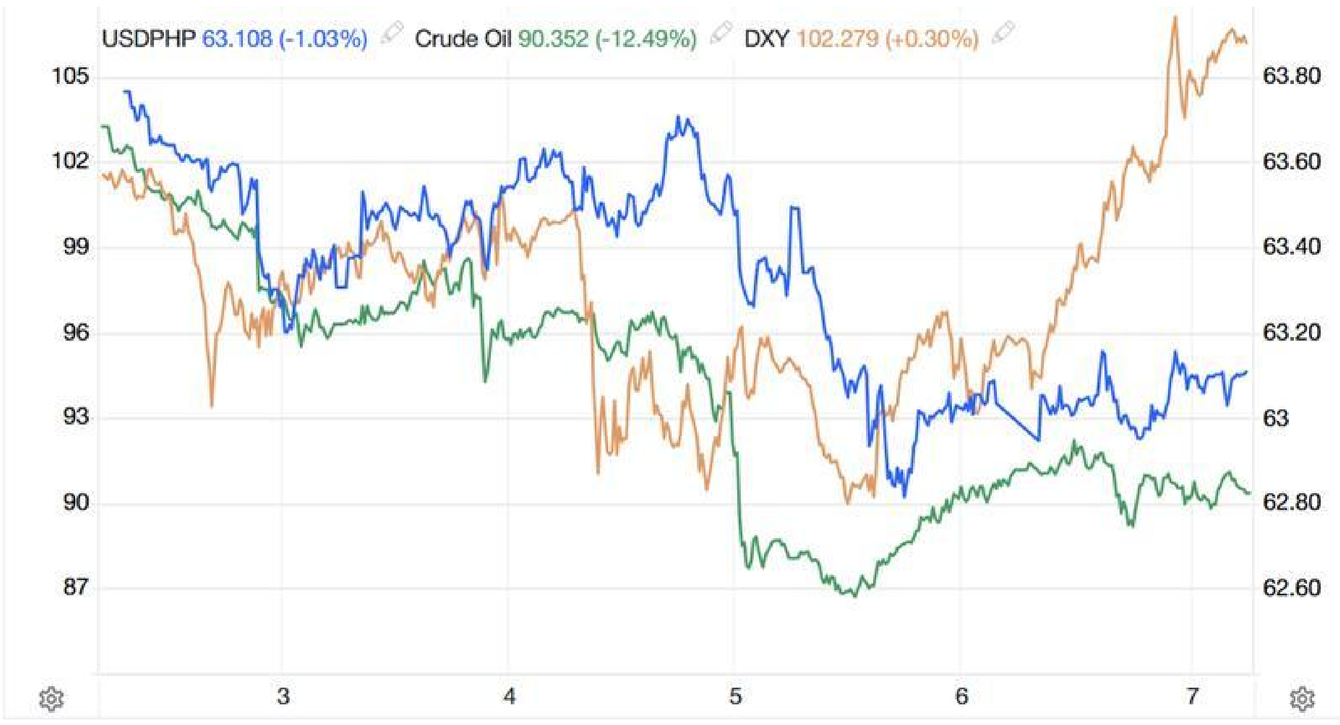
Peso-Dollar Rate Appreciates After U.S. Midterms

The steep fall in crude oil prices' impact (see Global) on USDPHP prevailed over U.S dollar strengthening after U.S. mid-term elections results surfaced.

After a one-day (Thursday) tumble below P63.00, USDPHP bounced back and ended P63.055/$, albeit -1.1% lower w/w from P63.740/$. While the average daily trading (with Nov 2 a public holiday) slumped by -10.6% to $1.39-B, bottom-fishing and closing of open (sold) positions saw trading surge to $2.0-B when the peso-dollar hit its low on Thursday. The trading range widened to P0.2404 from P0.1354 primarily due to the large decline in the peso-dollar rate.



Image Source: Synkevych, R. (2021, January 12). 10 and 20 us dollar bill. Unsplash; Unsplash. https://unsplash.com/photos/10-and-20-us-dollar-bill-ZQhkkCaVKFM



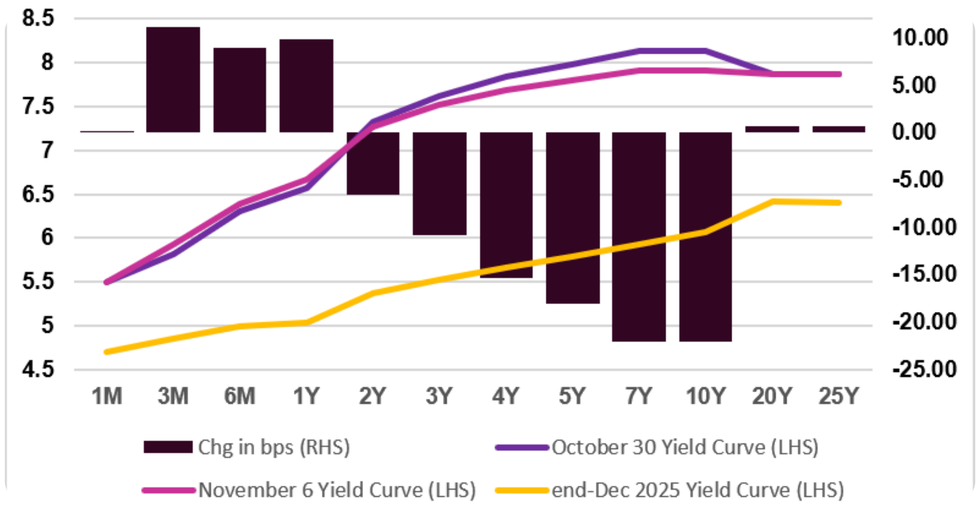
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/usdphp:cur

Outlook: We expect continued volatility in crude oil prices and USDPHP. However, the Thursday FX rate fall and corresponding uptake may provide clues on how much the peso-dollar rate can appreciate moving forward.

THE BOND BLUEPRINT

Softer Oil Prices Pull Down Bond Yields

Just like in the FX market, the slump in crude oil prices pulled down yields in medium to long tenors towards the end of the week.



Source: Bloomberg, Authors' Calculations

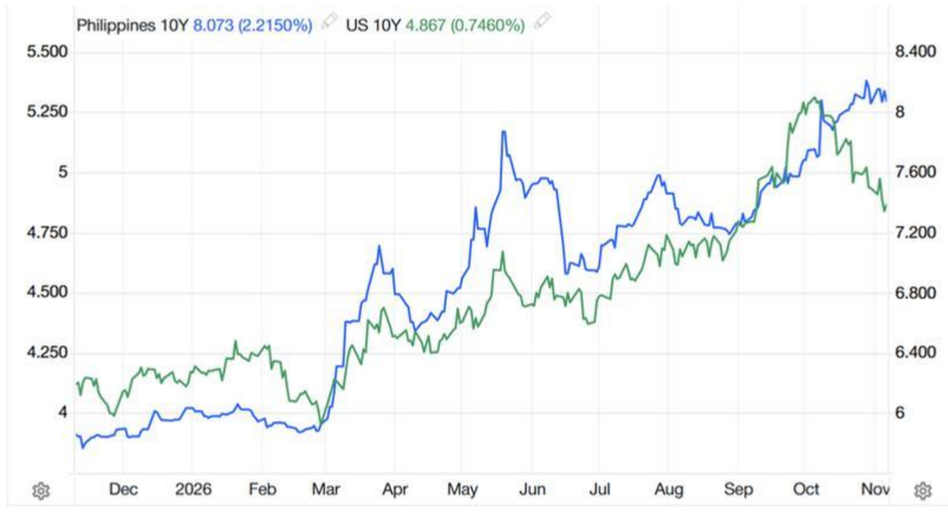
GS Auctions

Auctions preceded the U.S. election results, keeping the Tender-Offer-Ratio (TOR) low at 1.3797x versus 1.3212x previously. Investors favored Treasury bills (T-bills), leaving the lone P30.0-B, 6.8Y Treasury bond (FXTN 10-71) with a bid ratio of just 0.731x; BTr awarded 51.8% of the offer. Partial awards totaled 89.2% of P10.0-B in 35-day CMBs, 52.0% of P15.0-B in 182-day T-bills, and 70.0% of P10.0-B in 364-day T-bills. FXTN 10-71 yields jumped 88.7 bps to 8.239%, while 91-day and 182-day T-bill yields rose 17.4 bps to 6.438% and 21.6 bps to 6.646%, respectively.

GS Secondary Trading

Following Thursday's U.S. midterm results (PH time), 2Y–10Y yields fell while sub-1Y yields rose. The 10Y led declines, down 22.1 bps to 7.9128%—below 8.0% for the first time since October 14. The 7Y fell 22.0 bps to 7.9128%; 3Y–5Y yields dropped double digits.

Four-day trading rose 50.1% to P165.2-B; daily volume averaged P41.3-B, up 87.6% following Thursday's results. The 3Y–10Y tenors had the largest yield declines and trading-share gains (+40.5 percentage points), while 3M–6M lost the most (–41.6 points). The 3Y–5Y bucket led gains (+16.6 points to 43.3% of trades), followed by 5Y–7Y (+10.7 points) and 7Y–10Y (+3.2 points).



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

Outlook: As crude oil price will still have its ups and downs, local realities—October inflation at 7.8% YoY and likely another sleepy GDP growth in Q3—may limit the downside of bond yields. The latest inflation reading may keep expectations of a further 25-basis-point BSP rate increase in focus ahead of its next meeting.



THE EQUITY PLAY

Top Five Index Winners & Losers

Stock	Close as of Nov 6	W/W Change
MONDE	6.4	7.2%
BDO	125.0	5.9%
MER	446.0	5.4%
BPI	98.9	5.2%
JGS	17.3	4.6%
PLUS	6.4	-5.6%
GLO	1,478.0	-3.4%
ICT	817.0	-2.6%
PGOLD	39.1	-2.3%
ALI	15.2	-0.9%

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

PSEi Rebounds on Softer Crude Prices

The PSEi rose +1.44% w/w (+81.60 points) to 5,761.95, reversing the previous week's loss in a holiday-shortened week. Markets were closed on Monday, November 2.

The index hit its weekly low close of 5,624.17 on Tuesday, November 3, amid weak S&P Global manufacturing PMI data and caution ahead of October inflation and the BSP policy outlook.

Bargain-hunting in index heavyweights and falling crude prices, which eased cost-push inflation fears, fueled Wednesday's rebound. Strong foreign buying, peso appreciation, and global post-election rallies lifted the index to its weekly high close of 5,778.14 on Thursday, November 5.

Friday's profit-taking ahead of third-quarter GDP data, alongside broader Asian weakness, brought the index to a weekly close of 5,761.95 on November 6.

Turnover totaled P24.75-B amid lighter trading over four sessions. Foreign investors bought net in three sessions, generating P1.77-B in weekly net inflows and reversing prior weeks' net selling. Their 58% share of transactions primarily drove the recovery.

Market breadth turned positive, ending the week with 114 gainers to 100 losers and 30 unchanged.



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

Outlook: Philippine equities may trade range-bound with a defensive bias as investors weigh third-quarter GDP, corporate earnings, and inflation. Softer GDP growth could weigh on market sentiment, while stronger corporate earnings may provide some support to equities. Elevated inflation and expectations of a hawkish BSP stance could prompt profit-taking near 5,800 resistance as investors await clearer signs of macroeconomic stabilization.

OUR OUTLOOK

1. U.S. midterm election results may continue to influence market sentiment through year-end.
2. Corporate earnings could provide near-term market catalysts and contribute to volatility.
3. Equity market pullbacks may attract selective investor interest, although trading could remain range-bound toward year-end.
4. Oil prices may face further downward pressure if geopolitical tensions in the Middle East remain contained.



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