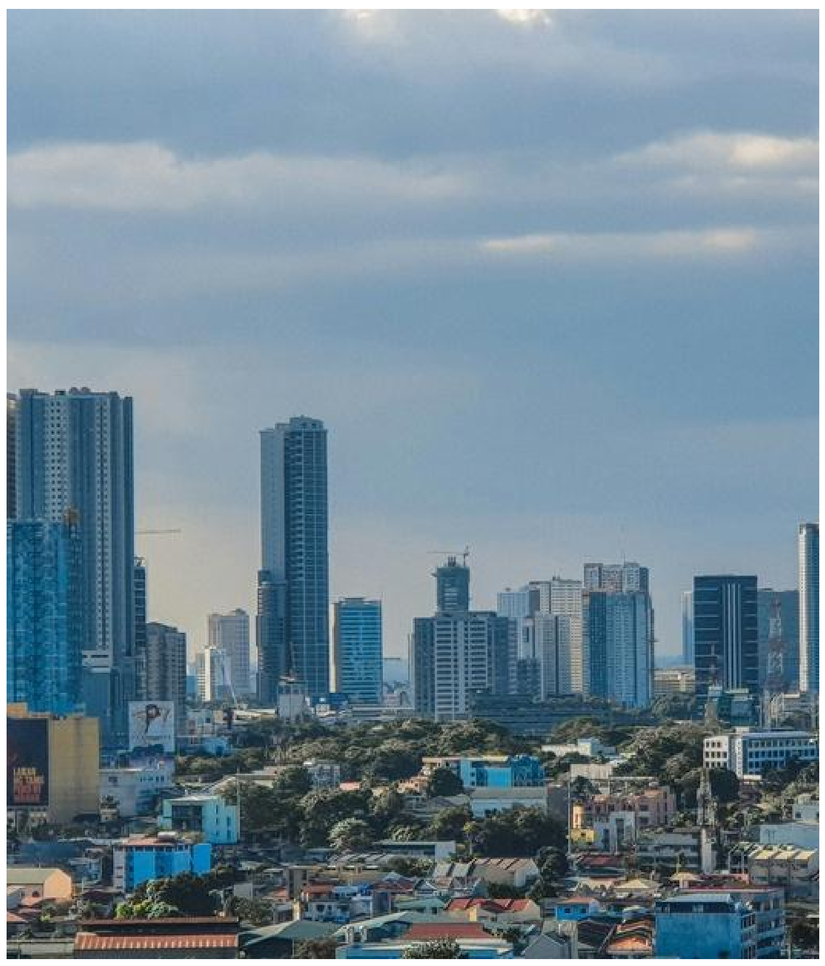
Economic Watch

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: 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

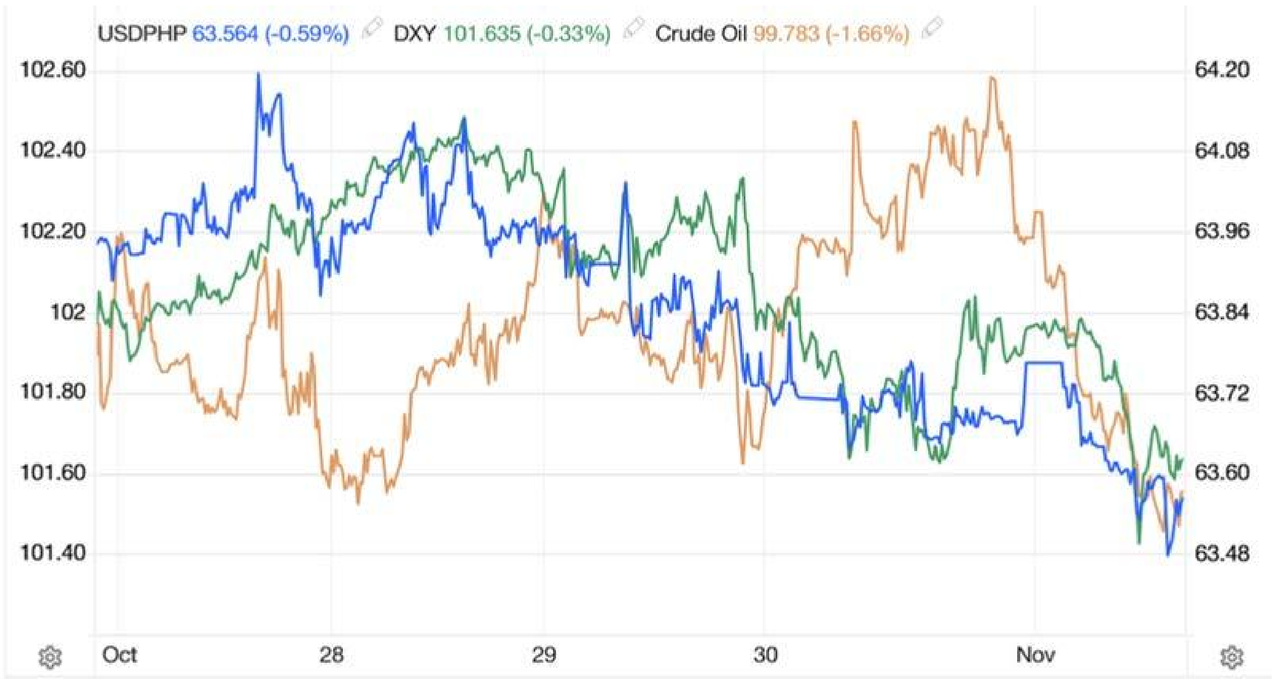
USDPHP Tracks Elevated Oil Price

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-ROQzKlAdY78



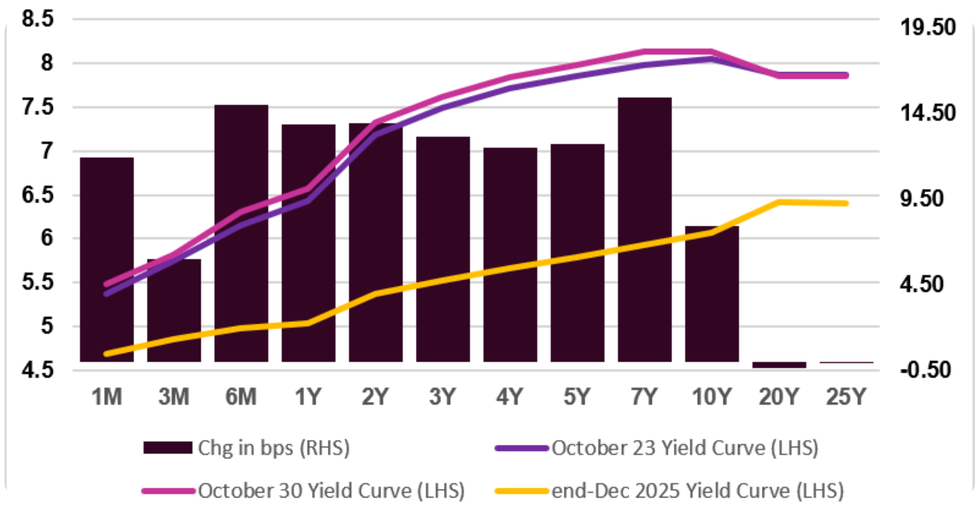
Source: Trading Economics. (2026). US Dollar Philippine Peso. Tradingeconomics.com. https://tradingeconomics.com/usdphp:cur

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

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 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 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 - 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

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