



**Philequity Corner (October 31, 2022)**  
**By Wilson Sy**

### Peak dollar?

The US dollar fell for the second straight week taking a breather from the relentless rally that sent it to its highest level in 20 years powered by the unprecedented pace of tightening by the Fed. After the nearly 30% rise in the past 1 ½ years, investors are asking if the dollar has likely seen its peak. Or is this another pause in the US dollar-wrecking ball swings before it resumes demolition?

### “Stepping down” rate hikes

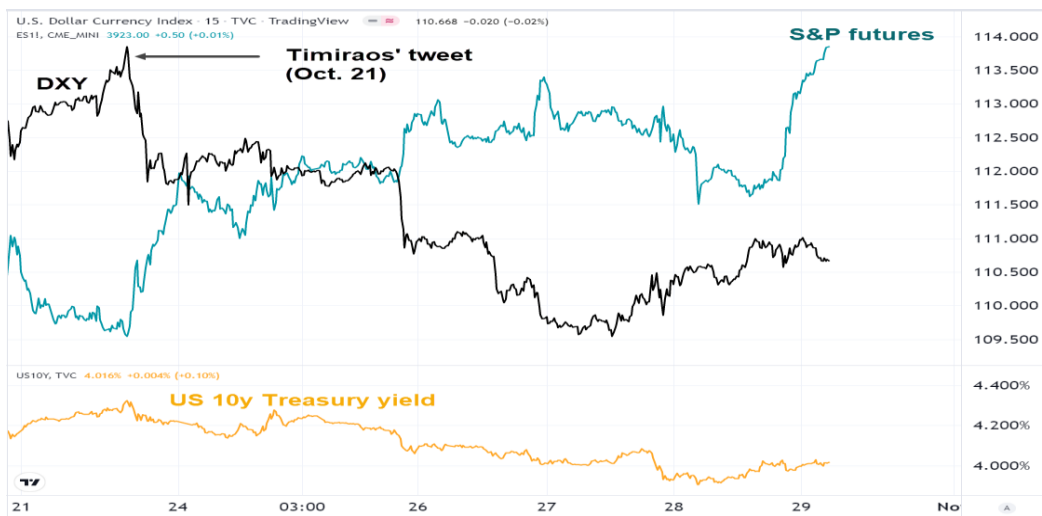
While the US dollar index (DXY) peaked last September 28, its decline accelerated on October 21 after Wall Street Journal’s Nick Timiraos’ put out a series of tweets saying the Fed will be “stepping down” the rate hikes after November’s 75 basis points raise. Timiraos, the so-called Fed whisperer, is the Fed’s go-to guy for communicating their thoughts. Below are his exact tweets:

*“The Fed is barrelling towards a fourth straight 75-basis-point rate rise at the November FOMC meeting. That meeting could serve as a critical staging ground for future plans, including whether and how to step down to 50 basis points in December.”*

*“Some officials are more eager to calibrate their rate setting to reduce the risk of overtightening. But they won’t want to dramatically loosen financial conditions if and when they hike by 50 bps (instead of 75). This meeting could allow officials to get aligned on next steps.”*

### Significant turning point

The tweets came in the morning of October 21 before the market opened. It looked like it was going to be a bad day for equities, with the S&P 500 futures down 1% going into a Friday. But after the tweets came, the US dollar index reversed, generating dramatic moves that day for FX, rates, bonds, and stocks –and marking a significant turning point.



Source: Tradingview.com, Wealth Securities Research

## US dollar retreats

The DXY reached a year-high of 114.78 and has fallen 3.4% as of Friday's close. Among major currencies, the British pound, Norwegian Krone, New Zealand dollar, and euro are the top performers, surging 12.2%, 6.6%, 5.4%, and 4.5%, respectively, from their year-lows. On the other hand, the Japanese yen, Singaporean dollar, and Philippine peso strengthened the most in Asia, appreciating 2.9%, 2.7%, and 2.4%, respectively.

Major currencies	% from Oct 21 low	% rally from year-low	Asian currencies	% from Oct 21 low	% rally from year-low
British pound	5.0%	12.2%	Japanese yen	2.9%	2.9%
Norwegian Krone	4.5%	6.6%	Singapore dollar	1.4%	2.7%
New Zealand dollar	3.7%	5.4%	Philippine peso	2.1%	2.4%
Euro	2.7%	4.5%	Korean won	1.2%	1.7%
Australian dollar	3.2%	3.9%	Thai baht	1.0%	1.0%
Japanese yen	2.9%	2.9%	Taiwanese dollar	0.4%	0.9%
Canadian dollar	1.9%	2.8%	Indian rupee	0.7%	0.9%
Swiss franc	1.9%	1.9%	Chinese yuan	-0.1%	0.7%
<b>US Dollar Index</b>	<b>-2.7%</b>	<b>-3.4%</b>	Indonesian rupiah	0.5%	0.5%
			Malaysian ringgit	0.5%	0.5%

Source: Bloomberg, Wealth Securities Research

## Peso weakness thwarted at 59

Following the US dollar's decline the past week, the Philippine peso strengthened to 57.97 as of Friday's close. As discussed last week, the DOF and BSP have been vocal in stepping up their defense of the peso. The peso's weakness was thwarted after USD/PHP encountered resistance at 59. Last week, USD/PHP broke below the upward trendline that started in June, which increased the likelihood of a retest of support at 56.45. We expect the peso to stabilize further and consolidate from here.



Source: Tradingview.com, Wealth Securities Research

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