



# PHILEQUITY CORNER

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## Peso: Worst to Best

In a surprising turn of events, the Philippine peso transformed from being one of the worst to becoming the best-performing currency in the region on a one-month basis. The peso closed the month of September on a strong note, even as the US dollar index (DXY) reached its highest point of the year last Wednesday. The peso's resilience was further highlighted when compared to most other currencies' performance.

Asian Currencies	1-month performance	YTD performance 2023
Philippine Peso	0.31%	-1.48%
Chinese Yuan	-0.24%	-5.47%
Indian Rupee	-0.41%	-0.37%
Malaysian Ringgit	-1.04%	-6.19%
Taiwanese Dollar	-1.11%	-4.69%
Singaporean Dollar	-1.22%	-1.95%
Indonesian Rupiah	-1.29%	0.73%
Vietnamese Dong	-1.64%	-3.14%
Korean Won	-1.94%	-6.51%
Japanese Yen	-2.34%	-12.22%
Thai Baht	-4.25%	-5.37%

Major currencies	1-month performance	YTD performance 2023
Canadian Dollar	-0.18%	-0.17%
Norwegian Krone	-1.10%	-8.34%
Japanese Yen	-2.34%	-12.22%
Euro	-2.82%	-1.24%
British Pound	-3.52%	0.96%
Swiss Franc	-4.03%	1.01%
<b>Dollar Index</b>	<b>2.56%</b>	<b>2.57%</b>

Source: Bloomberg

The Philippine peso rallied from an intraday low of 56.98 last Wednesday to close at 56.58 last Friday. It gained 0.31% vs. the US dollar in September, even as the DXY rallied 2.56%. Year-to-date, the peso has now emerged as the third best-performing currency in Asia, closely following the Indonesian rupiah and the Indian rupee.

## Resolute BSP policies drive peso resilience

The key driver behind the peso's steady performance was the clear and decisive stance of the Bangko Sentral ng Pilipinas (BSP) and its resolute defense of the peso. BSP Governor Eli Remolona revealed that BSP officials are actively involved in interventions to safeguard the peso at the 57 level, preventing further depreciation. He stated, "There are resistance levels, and when those are crossed, you'll suddenly see trades in the same direction. There's herding." The BSP's proactive defense of the peso at the crucial 57-level underscores Gov. Remolona's profound understanding of market dynamics and technical analysis, reflecting his keen insights into currency market movements. Furthermore, with rising prices of crude oil, sugar, and rice, the defense of the peso has proven to be both timely and critical in maintaining price stability.

### BSP's hawkish stance

The BSP has adopted a hawkish monetary policy, signaling a more aggressive approach to manage inflation and support the peso's value. In an interview with Bloomberg last week, Governor Remolona expressed his readiness for an off-cycle interest rate increase. Such a move would enable the BSP to synchronize its policy actions with those of the Federal Reserve, particularly if the latter decides to hike rates during the November 2 review.

Gov. Remolona emphasized, "It would be too soon to pivot to cutting the policy rate in the first six months of 2024." He explained that for a rate cut to be considered, it would require a significant economic slowdown and inflation falling below the target range.

Additionally, Gov. Remolona highlighted that should potential upside risks stemming from energy and transport prices materialize, the Bangko Sentral ng Pilipinas is prepared to raise borrowing costs by 25 basis points at the November 16 meeting or even sooner.

### Commitment to inflation control

Gov. Remolona emphasized his commitment to prioritize inflation control and pledged to take the necessary steps to return inflation to the central bank's target range of 2% to 4% by 2024. He affirmed, "If inflation is very high, we're willing to slow down the economy a little bit to get the inflation rate down," emphasizing BSP's steadfast stance to combating inflation and anchoring market expectations.

### Remolona's decisive leadership

The peso's strong performance reflects the BSP's decisive and proactive actions. It also highlights Gov. Remolona's resolute leadership, profound understanding of macroeconomics, and extensive experience. His clear comprehension of the potential consequences of further peso depreciation on inflation is evident.