

MANILA'S HOT MONEY FLOWS FROM STOCKS TO DOLLARS.By **Chaitanya Kalbag**

727 words

12 October 1987

Reuters News

English

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MANILA, Oct 12 - Short-term speculators have switched their attention from Manila's once bullish stock markets to a suddenly booming illegal trade in dollars, brokers and analysts said.

They said the black market rate of the U.S. currency has risen alongside a progressive fall in stock prices, as businessmen scramble to finance a surge in last-quarter imports and wealthier Filipinos build up nest-eggs to guard against a possible national crisis.

As a result, the Philippine peso has fluctuated violently over the past month, the analysts said.

The analysts said constant fears of destabilisation after an abortive August 28 coup attempt against President Corazon Aquino were fuelled last Wednesday when Armed Forces Chief General Fidel Ramos said government troops might not be able to repulse a fresh right wing revolt expected within the month.

A day later, with only two Manila banks trading a thin volume of one million dollars, the peso suffered its biggest one day fall in Aquino's 19 month rule, plunging to 20.850 to the dollar from Wednesday's close of 20.697.

On Friday, prodded by aggressive Central Bank intervention, the peso rallied to 20.730 to the dollar.

"The only economic indicator rising in the country these days is the dollar's black market rate," a senior Central Bank official said. "The differential between the official and black market rates is wider now because of political uncertainty."

The official said the main sources of black market dollars were tourists and remittances from Filipinos working abroad.

Corresponding with the rise in dollar hoarding, he said, was a fall in the Manila Stock Exchange composite index, which nearly halved from an historic peak of 1,337.49 on July 21 to 694.42 on September 28 before edging up to close last Friday at 748.35.

The banker said that when the peso fell from 20.600 on September 9 to 20.727 on September 10, the Central Bank had been forced to sell nearly 70 million dollars before the peso stabilised at 20.600 on September 17.

He said its later purchases indicated the Central Bank was worried about its foreign reserves, which stood at 2.1 billion dollars on September 25, down from 2.36 billion at end-June.

"If things get too bad, as happened last Thursday, the Central Bank and private banks execute a 'wash sale'," de Luna said. "There is in effect a fictitious transfer of dollars within the system so that the rate can be readjusted downward."

Central Bank Governor Joses Fernandez told reporters on Monday that the bank would continue to intervene in the foreign exchange market to defend the peso. But he did not comment on the flight of money into the black market.

The peso stabilised on Friday after the Central Bank unloaded 12 million dollars in aggressive intervention.

"Fluctuations are okay," Fernandez said.

"It (Friday's rate) is a market rate," he said. "We can't have a Central Bank that does not buy and sell. That's an absolute part of our job. The Central Bank is the largest factor in the market, we will always be, and so we must buy and sell."

The Central Bank official noted that recent fluctuations in the peso/dollar rate mirrored the peaks and troughs during and before Aquino's takeover early last year.



The official said the peso's official exchange rate had plunged from 19.103 at end-January 1986 to 21.979 at end-February. Former president Ferdinand Marcos was overthrown on February 26, 1986.

The official said that after Aquino's takeover, the peso quickly steadied to 20.600 on March 10, 1986. The currency was pegged at 20.53 at the end of 1986.

The dollar's black market rate touched a high of 25 pesos in February 1986, the official said, indicating that Filipinos were hoarding the currency.

But the black market rate stabilised at 21 pesos by June 1986, he added, and stayed there the rest of the year.

Rolando Atienza, President of Anscorn Hagedorn Securities, the largest Philippine stockbrokers, said the steady withdrawal of funds from the stock market indicated they were being diverted into dollar speculation.

"A significant percentage of stockmarket transactions is composed of short term trades," he noted.

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