

PHILIPPINE PESO FALTERS AS SPECULATORS SNAP UP DOLLARS.By **Chaitanya Kalbag**

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English

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MANILA, Oct 13, Reuter - The Philippine peso has been battered over the past month as speculators moved from once- bullish Manila stock markets to a booming illegal trade in dollars, analysts said on Tuesday.

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 year-end imports and wealthier Filipinos build up nest-eggs to guard against a national crisis.

A leading Philippine banker said the dollar was trading on Tuesday at 22.50 pesos in the black market, compared with 20.78 pesos before an August 28 coup attempt nearly toppled President Corazon Aquino.

"As long as fear about the future remains, any Filipino who can afford to will stash away some dollars in case he needs to get out of the country overnight," a senior Central Bank official said.

The benchmark Manila Stock Exchange composite index was particularly hit by the military revolt. It had been declining fitfully from a July peak of 1,337.49, but plunged steeply in September to a low of 694.42 before it edged up to 797.42 in hesitant trading this week.

The analysts said nervousness triggered by the coup attempt rose to fever pitch last Wednesday, when Armed Forces Chief General Fidel Ramos warned that government troops might not be able to repulse a fresh coup expected within the month.

On Thursday, the peso's official exchange rate suffered its biggest one-day fall in Aquino's 19-month rule, falling to 20.850 to the dollar from Wednesday's rate of 20.697.

A day later, prodded by sales by the Central Bank of 12 million dollars, the peso rallied to 20.730 to the dollar.

That rate was holding firm this week in lacklustre trading.

"The only economic indicator rising in the country these days is the dollar's black market rate," the Central Bank official said.

"The difference 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.

"Earlier, short-term speculators pumped hot money into the stock markets," said Noel de Luna, an analyst with First Pacific Securities. "Now those funds are looking for other markets."

"If the dollar's black market rate is steady and interest rates are low, the cash that speculators have tends to filter into the stock markets," de Luna added.

Rolando Atienza, President of Anscor 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 said.

Another local banker said the dollar's black market rate had also been driven up because Philippine banks were reluctant to touch their dollar deposits abroad after a rise last week in deposit interest rates.

Many local banks were refusing to issue letters of credit to Philippine importers unless they opened a dollar account covering the full value of the letters and so importers were hard-pressed to purchase dollars illegally, the banker added.

Dollar-salting by panicky Filipinos appeared to be rising, the Central Bank official said, noting that the peso's



recent violent fluctuations mirrored the peaks and troughs during and before Aquino's takeover early last year.

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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 peso 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 weatherer 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 destabilization after an abortive August 26 coup attempt against President Corason Aquino were fueled last Wednesday when Armed Forces Chief General Fidel Ramos said government troops might not be able to suppress 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 deepest one day fall in Aquino's 15 month rule, plunging to 20.850 to the dollar from Wednesday's close of 20.697.

On Friday, propped 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 dollar 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 moved from an historic peak of 1,337.45 on July 23 to 694.42 on September 25 before edging up to close last Friday at 748.23.

The banker said that when the peso fell from 20.690 on September 4 to 20.737 on September 10, the Central Bank had been forced to sell nearly 70 million dollars before the peso stabilized at 20.800 on September 17.

He said its later purchases indicated the Central Bank was worried about its foreign reserves, which stood at \$1.1 billion deficit on September 25, down from 2.34 billion at end-June.

"If things get too bad, he happened to add Thursday, the Central Bank and private banks expect a 'wash sale' as Luis said. "There is in effect a floodgate of dollars within the system so that the rate can be managed downwards."

Central Bank Governor Jaime 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 stabilized on Friday after the Central Bank introduced 12 million dollars in aggressive intervention.

"Fluctuations are okay," Fernandez said.

"If (Luis's) rate is a market rate," he said. "We don't have a Central Bank that can't buy and sell. That's an absolute part of our job. The Central Bank is the largest trader in the market, we will always 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.

