

Philequity Corner

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Sit Tight and Enjoy the Ride!

Just a few days after we wrote that the peso could reach our target earlier than expected, the local currency has breached P46 and momentarily entered the P45 territory. Even if it corrected back to P46.20 last Friday, the peso has emerged to be among the strongest currencies in Asia.

Reckoning on a one-year outlook it has appreciated by 12.7% vs. the dollar, the second best among Asian currencies (next only to the Thai baht). However, if viewed on a longer-term recovery, the peso has retraced to just about its lowest level during the 1997-98 financial crisis. In other words, the peso is back to where it was about almost a decade ago. In contrast, some of the other Asian currencies have recovered substantially from their crisis lows. If we take this as an indication, then the peso still has a lot of room to go to be at par with the recovery achieved by the other currencies. In our article last, we have pinpointed the factors that could propel the peso to higher grounds.

Selected Asian Currencies

	Current Price*	% chge			Since 1997 crisis	
		1 Yr	3Yrs	5Yrs	(10-yr low)	
Korean Won	929.14	0.8%	21.2%	25.4%	53.5%	
Indonesian Rupiah	8,779.60	5.9%	5.0%	1.9%	48.2%	
Thai Baht	32.50	15.0%	20.2%	24.3%	42.4%	
Malaysian Ringgit	3.38	6.7%	10.9%	11.0%	30.8%	
Singapore Dollar	1.53	3.2%	10.7%	15.1%	16.0%	
Philippine Peso	46.20	12.7%	17.5%	8.2%	0.6%	

Source: Technistock *Closing prices as of May 25, 2007

Stock Market enters new territory

Alongside the peso's strength, the stock market has also finally breached the previous record high of 3,447 set in February 1997 by closing at 3,449 last May 24. It even hit an intra-day high of 3,517 last Friday. This has brought the index to new and uncharted territory.



Source: Technistock

Quo vadis ?

The stock market's strength has prompted some of our readers and investors to ask where we are headed and what we are to do. Last November, we said that the PSEi is bound to test 3,700 this year and probably 4,000 next year. We are inclined to keep our positive view for the obvious reason that the country's economic fundamentals have not really changed. We are enjoying a fiscal revitalization and economic upturn. As a stock market adage goes, the trend is your friend. So far, we have not seen any change in policy directions or economic indicators that could indicate that the trend will soon be reversed.

But while we see a generally positive direction for the economy that should underpin an equally positive outlook in the stock market, we have to remind our readers and investors that the stock market's climb will naturally be punctuated by corrections along the way.

So, for those who have missed out on the recent upturn, take advantage of any market correction to get into the ride. For those who are investing for the first time or those who may be too busy to monitor the stock market on a regular basis, equity mutual funds could provide a good alternative. In the case of Philequity, the fund has gained 19.2% year-to-day vs. the comparable PSE Index gain of 15.4%%.

At any rate, we continue to emphasize the importance of fundamentals and the need to focus on the long-term outlook. While opportunities abound to reap gains on short-term investments, these are also accompanied by risks and the possibility of getting whipsawed in any market volatility. For those who have heeded our advice when we made a call in 2003 regarding the stock market's bottoming out, congratulations for you must have made a bundle on your investments. Yes, there will still be corrections and market volatilities but the good (and still intact) fundamentals will bear the market out. So if you have made your investments on the basis of good fundamentals, sit tight and enjoy the ride.

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