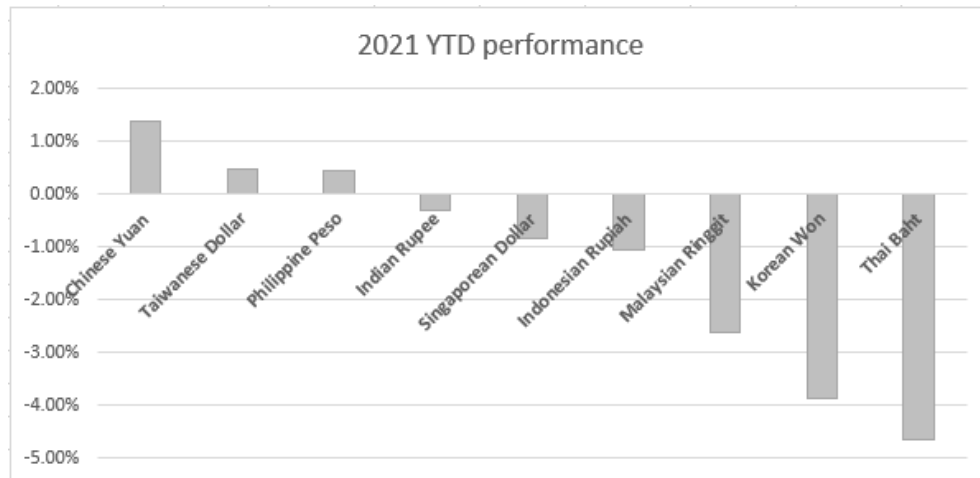




Philequity Corner (May 17, 2021)
By Wilson Sy

Peso strongest in four years

The Philippine peso advanced to its strongest level in more than four years after exports revenues grew at their fastest pace in a decade. The peso rose for the 6th consecutive week, edging slightly by 4.5 bps this week to 47.81 per US dollar. The currency is among the steadiest performers in Asia this year, up by 0.46% year-to-date.



Source: Bloomberg, Wealth Securities Research

Trade deficit narrows as exports recover

Philippine exports surged 31.6% to a record high of USD 6.68 billion in March 2021, helped by a low comparison base a year ago and a rebound in foreign demand as the global economy recuperates from the COVID-19 pandemic. Exports of mineral products led all commodity groups with 195.8% growth. Meanwhile, electronic products, the country’s leading export, grew by 25%. The country’s balance of trade improved as the deficit narrowed by 11.5% to USD 2.4 billion.

GIR on pace to hit a new record year

The Bangko Sentral ng Pilipinas (BSP) reported last week that the country’s gross international reserves (GIR) reached USD 107.25 billion as of end-April. BSP Governor Benjamin Diokno earlier forecasted another record year, projecting that GIR could reach USD 120 billion by year-end. Healthy GIR levels act as external buffers or cushions that stabilize the peso in times of foreign exchange volatility and speculative attacks. It is currently equivalent to 12.3 months’ worth of imports of goods and services and covers about 7.5 times the county’s short-term external debt.

Chinese yuan leads Asian currencies

In Asia, the Chinese yuan is leading Asian currencies higher against the US dollar. The yuan climbed to its strongest level in three years on the back of the country’s solid economic recovery post-COVID-19, healthy capital inflows, and large trade surplus. Chinese GDP expanded 18.3% in the 1st quarter of 2021 amid surging exports and increased consumer spending.

The Chinese yuan has appreciated nearly 10% against the US dollar the past year and 1.4% year-to-date. The intermediate support for USD/CNY is at 6.42, while significant support lies at the 6.20 to 6.24 range.



Source: Tradingview.com

Philippine peso breaks below 48.0

The Philippine peso has steadily strengthened the past two years because of the resilient stream of OFW remittances and BPO revenues and its hefty dollar reserve levels. As shown in the chart below, USD/PHP remains on a downward trending channel which shows peso appreciation. Despite a brief surge to the 49 levels in February and April, USD/PHP is back below the 48.0 support level. Based on the peso trend and the Chinese yuan's strength, it is highly likely for the peso to appreciate further. Technical analysis indicates that 46.00 to 46.50 is the next major support range for USD/PHP.



Source: Tradingview.com

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email ask@philequity.net.