

# PHILEQUITY CORNER

By Wilson Sy

## Japan intervenes

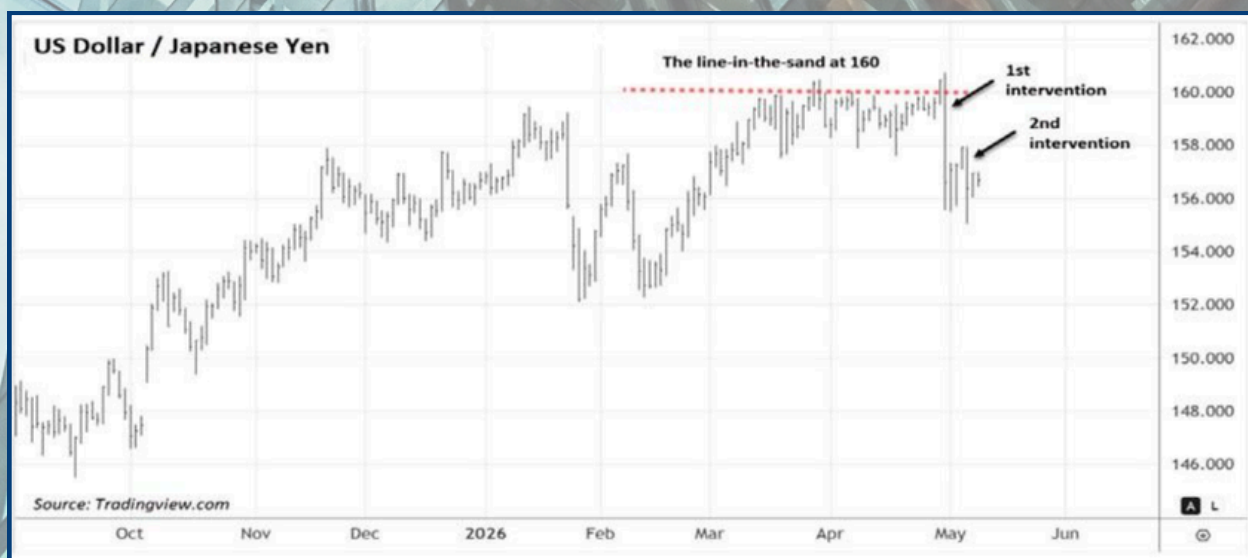
Japan has fired its currency bazooka. On April 30, as the yen slid past the 160 level against the US dollar, the Bank of Japan (BOJ) stepped in and bought an estimated 5.48 trillion yen (\$35 billion). This is the central bank's first intervention since July 2024. The yen surged by 2.4 percent in a single session, its biggest intraday move in over three years.

Then the BOJ appears to have done it a second time. Data released on May 7 showed an outsized 4.51 trillion-yen net outflow (\$29 billion) from money markets, far exceeding broker forecasts. Combined, the two operations total \$64 billion – nearly double what was spent in July 2024. Japan's top currency diplomat Atsushi Mimura warned that speculative positions remain and that Japan faces no constraints on how often it can intervene.

## Worst outcome averted

In our previous columns, we outlined the worst-case scenario: oil above \$100, a surging dollar and Asian currencies in freefall (see "Energy Crisis," March 9, 2026; "A Repeat of the 1973 Oil Crisis," March 16, 2026). That worst outcome has been averted. Three charts tell the story.

**First, the yen.** After breaching 160 on April 30, it has pulled back to 156 following Japan's double intervention. While the rate differential between the BOJ (0.75 percent) and the Fed (3.50 to 3.75 percent) remains wide, the message from Tokyo is clear: there is a floor, and they will defend it. There is no confirmation of joint Fed-BOJ intervention. But Tokyo acted with Washington's awareness and support, giving Japan's yen defense more credibility.



**Second, the dollar.** The dollar index (DXY) surged during the Iran war as investors fled to the safety of US assets. It rose from below 96 in January to 100.50 in late March – a classic safe-haven rally. That bid has now faded. The DXY has fallen back below the psychologically important 100 level, closing at 97.84 last Friday. Growing expectations of a US-Iran peace deal and easing oil prices have taken the wind out of the dollar's sails, as investors unwind the war premium that had supported the greenback.



**Third, the peso.** The BSP raised its policy rate by 25 basis points to 4.50 percent last April 23, its first hike in over two years. This signals to investors that it is prepared to act when inflation and currency pressures worsen. The peso briefly spiked to a record 61.73 before retreating to 60.50, a failed breakout that suggests the dollar's war premium and oil-driven pressure may have peaked. A decisive break below 60.50 would open the way toward 59 - 59.50.



### Central banks draw the line

The improvement is not limited to the yen and the peso. Across Asia, currencies that were under severe pressure in March have staged a meaningful reversal. The Korean won has rallied 4.1 percent from its March lows, the Taiwanese dollar 2.8 percent and the Thai baht 2.7 percent.

Policy action helped turn the tide. Japan intervened to support the yen. Bank Indonesia pledged to go allout to stabilize the rupiah. The BSP raised rates for the first time in more than two years, while other Asian central banks turned more vigilant against currency weakness and imported inflation.

These actions remind markets that when the stakes are high enough, central banks will act. As we have written many times in this column, it is risky to go against central banks. In our book Opportunity of a Lifetime, we dedicated a section to this lesson: "Don't Fight the Fed." The same principle applies today. With BOJ intervening, the dollar retreating, oil prices easing and Asian currencies finally getting room to breathe, the worst may have been averted.

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