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PHILEQUITY CORNER

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Peso rebounds from record low

The Philippine peso stabilized last Thursday after rebounding from a record low. It closed at ₱58.85 per dollar following a volatile week that saw the currency breach the closely watched ₱59 level.

The peso had weakened to an intraday record of ₱59.26 per dollar on Wednesday before recovering to ₱58.69 later in the day, according to data from the Bankers Association of the Philippines. Trading was calmer on Thursday, with the peso holding within a narrower range as sentiment improved after the US Fed cut its policy rates.

Testing Historic Levels

The peso's drop beyond ₱59 marked its weakest level on record, but it has repeatedly bounced from this threshold since 2022. The level has long been viewed as a line in the sand for traders, with the Bangko Sentral ng Pilipinas (BSP) often stepping in to curb sharp swings.



Fed cuts rates

The peso's rally followed the Federal Reserve's quarter-point rate cut on Wednesday, October 29, which lowered its benchmark rate to a range of 3.75%-4.00%. The move which followed a similar cut by the BSP early October, has widened the interest rate gap, giving the peso breathing room.

With the BSP's policy rate at 4.75%, the Philippines maintains a significantly higher yield compared to U.S. rates. This should make peso-denominated assets more attractive to yield-seeking investors and provide support for the peso after its recent slide.

BSP's Steady Hand

The central bank has reiterated its commitment to maintaining orderly market conditions. While officials have not confirmed direct intervention, traders speculate BSP presence in the spot market whenever volatility spikes. Governor Eli Remolona has said the peso's value should reflect fundamentals but stressed that "excessive movements" will be managed.

Seasonal support

Seasonal inflows may bolster the peso through year-end. December is historically the peak month for overseas remittances, which typically rise 20%–25% above monthly averages. Inflows are projected to reach around US\$3.8 billion this year. This may provide ample foreign-exchange liquidity and additional support for the peso after months of pressure.

Peso's performance year-to-date

The peso remains one of Asia's weaker performers this year, down 1.7% against the dollar, compared with gains of 6.8% for the Taiwan dollar, 6.6% for the Malaysian ringgit, and 5.0% for the Thai baht.

Major currencies have rallied strongly led by the Norwegian krone (+13%), Swiss franc (+12.3%), and euro (+11.1%). The broad decline in the US dollar index (DXY) – down 7.9% this year – has lifted most developed-market currencies but provided limited relief for Asia's more vulnerable currencies.

Major currencies	Year-to-date 2025	Asia-Pacific Currencies	Year-to-date 2025
Norwegian Krone	13.0%	Taiwanese Dollar	6.8%
Swiss Franc	12.3%	Malaysian Ringgit	6.6%
Euro	11.1%	Thai Baht	5.0%
Australian Dollar	5.6%	Singaporean Dollar	4.6%
British Pound	5.1%	Korean Won	3.1%
Canadian Dollar	3.0%	Chinese Yuan	2.7%
Japanese Yen	2.3%	Philippine Peso	-1.7%
		Indonesian Rupiah	-2.4%
Dollar Index	-7.94%	Vietnamese Dong	-3.3%
		Indian Rupee	-3.6%

Source: Bloomberg, Wealth Sec. Research

Short term relief, lingering risks

While the peso's rebound offers some relief, challenges remain. Fragile investor sentiment, massive corruption issues, and wide fiscal and current-account deficits continue to weigh on confidence.

But if Fed easing continues and remittance inflows reach their seasonal high in December, the currency could firm toward the ₱58 level. With gross international reserves at US\$109.1 billion, the BSP has ample capacity to maintain orderly market conditions as inflows build toward yearend.

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