

Peso hits 3-year high, closes at 42.225 to \$1

Written by Administrator
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At an anti-counterfeiting event of Bangko Sentral and Hewlett-Packard last week, Quezon City students show “bills” made using a desktop printer. (GMA News photo)

MANILA — The peso appreciated Tuesday to its strongest level in over three years due to the general weakness of the dollar as the Aug. 2 deadline for the adjustment of U.S. debt ceiling to avoid a downgrade of its Triple A credit rating nears, traders said.

The peso gained 16.50 centavos to close at 42.225 to \$1 from Monday’s close of 42.39 to \$1.

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The local currency hit an intra-day high of 42.21 to \$1 Tuesday as volume was heavy at \$1.103 billion from the other day's \$727.24 million.

This was the highest level for the peso since closing at 42.17 to \$1 in April 29, 2008.

Traders attributed the continued strengthening of the peso to the general weakness of the U.S. dollar due the debt deadlock, the uncertainties about the recent bail out in Greece, as well as the country's strong macroeconomic fundamentals.

Metrobank said the Asian region may experience a slow grind towards further strength against the U.S. dollar as the market looks for further leads as to what direction to take.

"Players may even take a cautious optimistic approach given the deadline of the U.S. debt ceiling looming as it posts unfavorable effects in the global economy if the said nation fails to meet its target," Metrobank said.

It added that the market still has a keen eye over any additional developments from the Eurozone as they are clearly far from full recovery despite the 109 billion euro bail out package for Greece approved by the European Union.

Metrobank also said investors are awaiting the outcome of the policy-rate setting meeting of the Bangko Sentral ng Pilipinas (BSP).

"The upcoming Monetary Board meeting will be a factor this week as well, as the market waits what policy tool will be put into action in order to address inflationary pressures in the economy," the bank said.

BSP may adjust policy on strong inflows

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The Bangko Sentral ng Pilipinas (BSP) may adjust its monetary policy if strong inflows to emerging markets continue, Deputy Governor Diwa Guinigundo said Tuesday.

Policymakers' options would include a further increase in banks' required reserves and a policy rate increase, Guinigundo told reporters.

The Central Bank was also looking at further liberalizing foreign exchange rules, particularly documentary requirements, Guinigundo said.

The BSP kept its interest rates steady during its June policy review on signs of moderation in inflation pressures.

But it raised banks' reserve requirement by one percentage point to counter liquidity pressures, which could be fueled by inflows amid the strong economy.