Philippine Peso Set for Worst Week in Two Months

By Kyoungwha Kim

The Philippine peso fell, completing its biggest weekly decline in three months, as official data showed the pace of growth in overseas remittances slowed in September. Government bonds advanced.

Funds sent home by Filipinos abroad rose 5.9 percent from a year earlier to $1.84 billion, following an increase of 7.6 percent in August, an official report showed yesterday. Exports and remittances account for about 30 percent of the $225 billion economy. U.S. President Barack Obama meets with lawmakers today to address the so-called fiscal cliff, which involves spending cuts and tax increases due early next year.

“Most regional markets have been affected by what’s happening on the external side, especially in the U.S. as there are talks over the fiscal cliff,” said Radhika Rao, an economist at Forecast Pte. in Singapore. “On the domestic front, peso remittances slowed and the market is obviously sentiment-driven.”

The peso weakened 0.2 percent to 41.335 per dollar in Manila, according to data from Tullett Prebon Plc. The currency lost 0.7 percent this week, the most since the period ended Aug. 17. It reached 41.050 on Nov. 8, the highest level since March 2008.

The currency has been unable to strengthen beyond the “psychological barrier” of 41 per dollar, Rao said. One-month implied volatility, a measure of exchange-rate swings used to price options, was unchanged at 4.70 percent, according to data compiled by Bloomberg.

Obama is meeting with Democratic and Republican leaders in Congress to discuss ways to avoid $607 billion in automatic budget reductions and tax additions set to take effect in January. Without a compromise, the world’s largest economy may tip into a recession, according to JPMorgan Chase & Co.

The yield on the Philippines 5.875 percent bonds due March 2032 fell eight basis points, or 0.08 percentage point, to 5.65 percent this week, according to Tradition Financial Services The yield dropped two basis points today.