Philippine Peso, Stocks May Fall After S&P Cut Rating (Update1)

Jan. 18 (Bloomberg) -- Philippine stocks and the peso may fall after Standard & Poor's cut the nation's debt rating by a notch, to three levels below investment grade. Philippine Long Distance Telephone Co. and Globe Telecom Inc., two of the biggest companies, may lead declines among stocks.

The nation's debt rating was cut by Standard & Poor's yesterday on concerns the government may not be able to reduce its budget deficit. S&P cut the long-term foreign-currency rating to BB- from BB and the local-currency rating to BB+ from BBB-.

``This will have an impact on the market,'' said Alfred Dy, head of research at CLSA Philippines Inc. The government has been slow in moving with the tax measures so a one-notch downgrade has been floating around for some time.''

Philippine central bank Governor Rafael Buenaventura said yesterday the cut was premature since Congress still plans to pass the bills aimed at raising taxes and state revenue. Buenaventura on Dec. 9 warned of a two-notch downgrade if legislators didn’t increase taxes to boost government revenue.

The Philippine Stock Exchange Composite Index rose to an almost five-year high when it closed before the rating cut. It gained 1.8 percent to 1909.18, its highest close since Feb. 15, 2000. It's surged 4.9 percent in three days.

Globe Telecom, the nation's No.2 mobile phone company, and Philippine Long Distance Telephone, its largest phone company, had their debt ratings lowered one notch to BB- by Standard & Poor's to reflect the downgrade in the nation's ratings.

Globe Telecom rose 30 pesos, or 3.3 percent, to 940 at the noon close of trading yesterday. Philippine Long Distance gained 45 pesos, or 3.3 percent, to 1405.

San Miguel Corp., the nation's largest food and beverage company, also had its debt rating lowered by a notch to BB-. Its Class A shares, which only Filipinos can own, were unchanged at 58.5 pesos. Its Class B shares, which have no ownership restrictions, were unchanged at 78 pesos.

Local trading of the peso closed as the cut was announced. It rose 0.2 percent to 55.525 to the U.S. dollar, its strongest since May last year. It's gained 1.3 percent in seven days.

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