



**BANGKO SENTRAL NG PILIPINAS**

EXECUTIVE OFFICES | FINANCIAL MARKETS

# **Outlook for the Investment Management of Reserves Trends and Challenges**

A Presentation of

**Charity S. Malto**

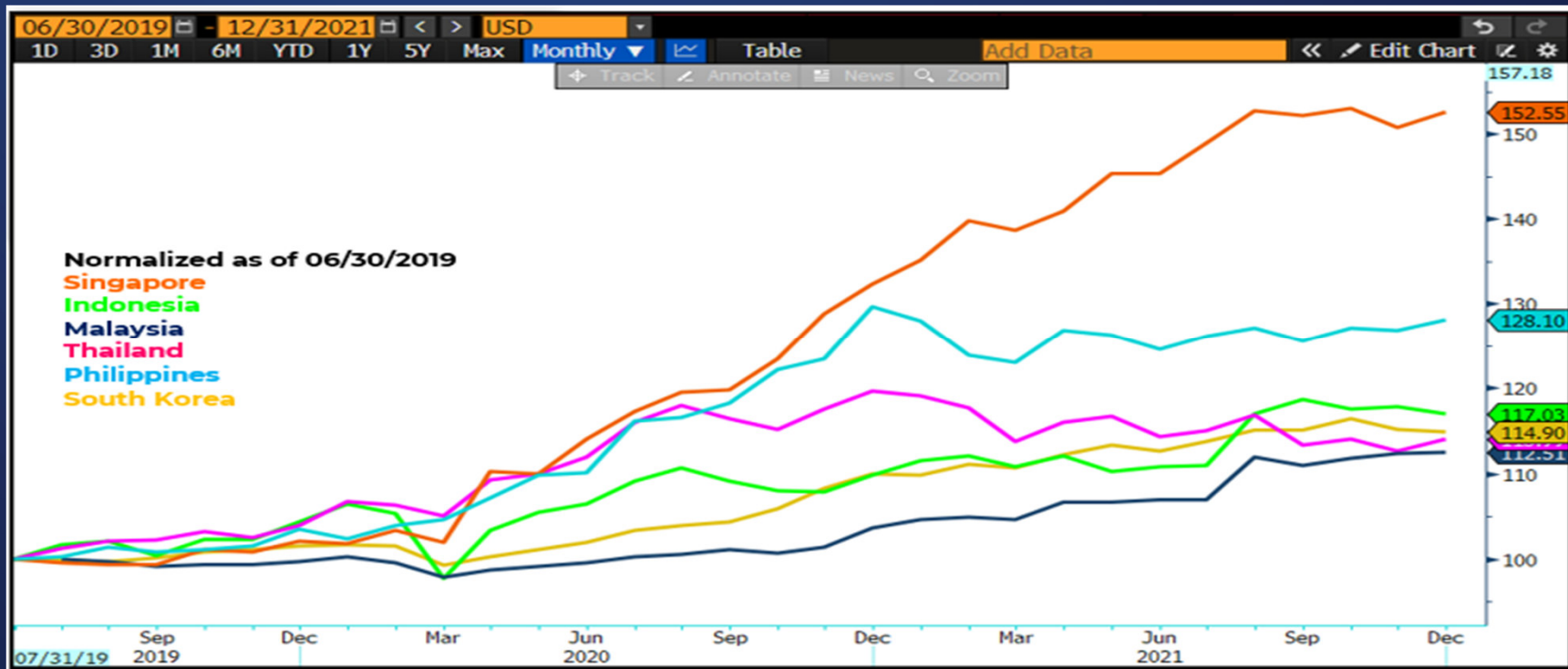
Chief Investment Analytics Officer

# Outline

- I. Reserve accumulation in Asia
- II. Gold as a reserve asset
- III. Integrating environmental, social and governance (ESG) criteria



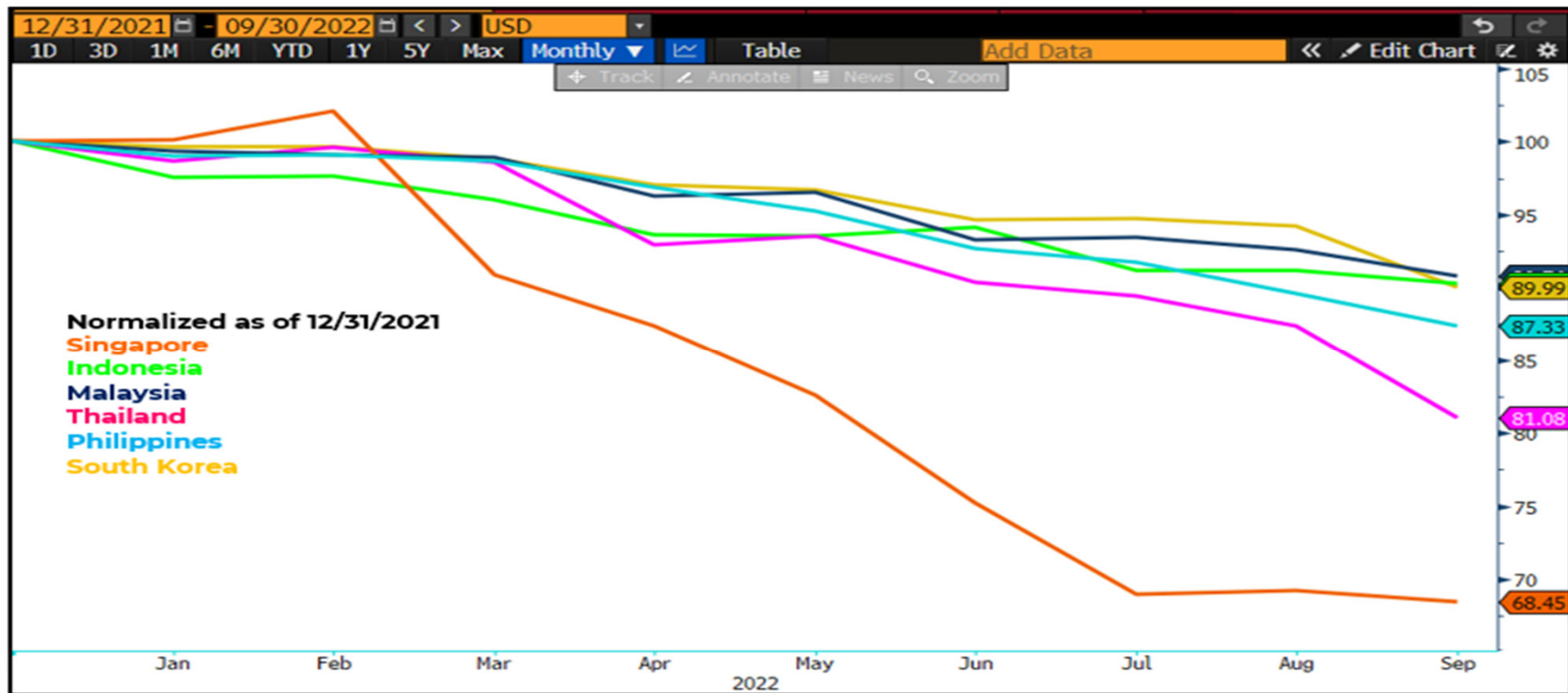
# Reserve Accumulation



Source: Bloomberg



# Downward Trend of Reserves



Source: Bloomberg

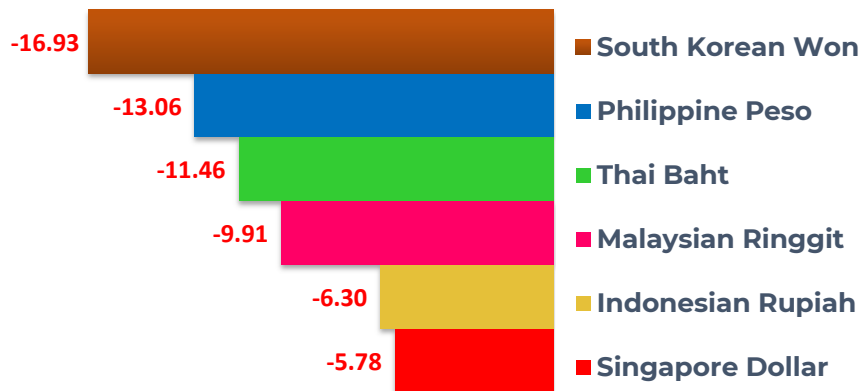


# Currency Movement (Asia)

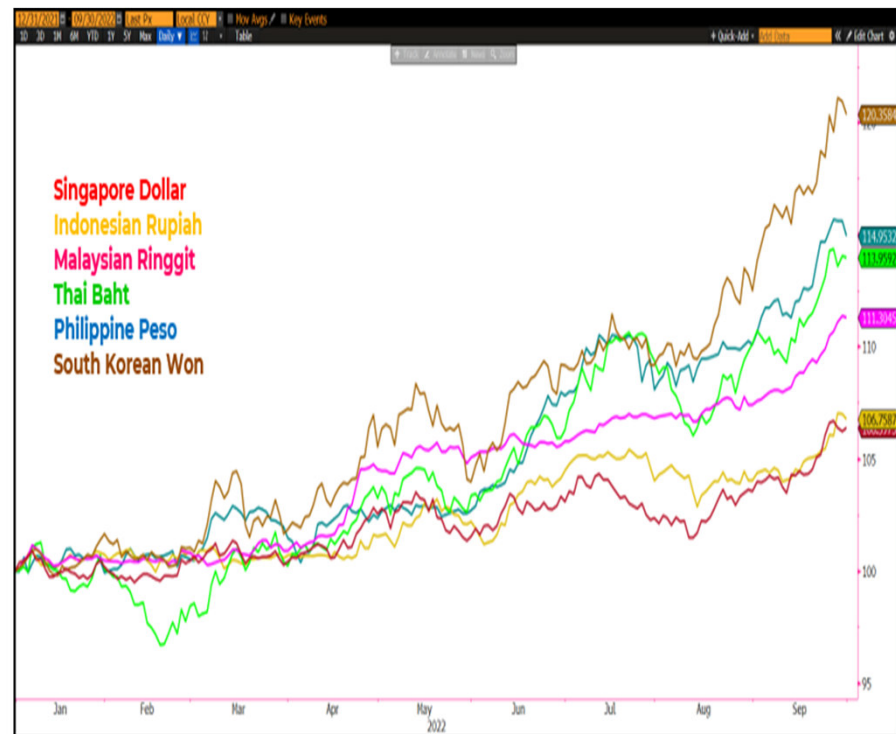


# Depreciation of Asian Currencies

**Depreciation of Selected Asian Currencies**  
Year-to-Date as of 30 September 2022  
(in Percent)



Source: Bloomberg



# GIR Philippines and USD/PHP Movement



Source: Bloomberg



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# Benefits of Holding Gold

DIVERSIFICATON

SECURITY

INSURANCE

LIQUIDITY



# BSP's Gold Reserve Management Activities

Location swaps

Spot sales/  
purchases

Gold deposits

Options

Gold-backed  
loans

Financial swaps



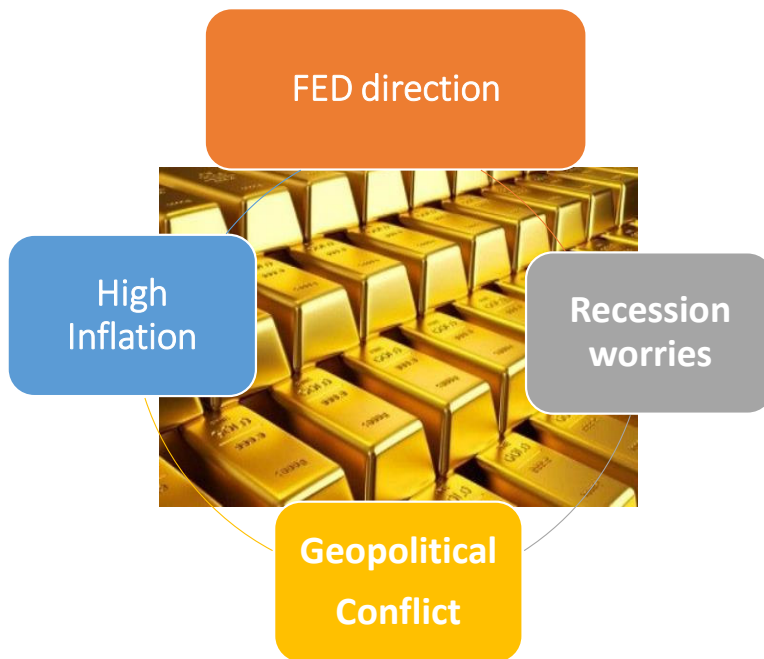
# Gold in a Rising Interest Rate Environment



	Changes		Levels		
	YTD	June 2019 to Dec 2021	30-Sep-22	31-Dec-21	30-Jun-19
Gold	-9.22%	29.77%	1,660.610	1,829.20	1,409.55
Fed Funds Target - Upper bound	3.00	(2.25)	3.25	0.25	2.50
DXY	17.19%	-0.48%	112.117	95.670	96.130

Source: Bloomberg





# Global Economic, Financial and Political Prospects May Bode Well for Holding Gold

Bloomberg (latest 1 month forecast as of 07 Oct)	Gold price as of 07 Oct	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
Median	1694.82	1704	1718	1743	1750	1800
Mean		1830	1727	1764	1752	1842
High		2500	1850	1950	1925	1950
Low		1650	1625	1625	1600	1735

Source: Bloomberg



# Challenges in Managing Gold Reserves

- Higher price volatility
- Absence of investment benchmark for performance measurement
- Storage cost



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# Sustainability Integration of Central Bank Reserve Managers

## ESG strategies used (percentage of institutions with ESG)

	Government/ SSA bonds	Corporate bonds	High-yield bonds	Equity
Negative/exclusionary screening	32%	45%	10%	32%
Positive/best-in-class screening	16%	16%	0%	6%
ESG integration	23%	35%	10%	16%
Impact investing (i.e., green bonds, social bonds, sustainability bonds)	68%	35%	3%	Not applicable
Impact investing different from green, social, or sustainability bonds	6%	3%	0%	3%
Active ownership and engagement	3%	10%	3%	19%

N=31.

Source: Third RAMP survey on the Reserve Management Practices of Central Banks.



# BSP's Sustainable Finance Initiatives



Sustainable Finance  
Framework for Banks



Sustainable Central Banking  
Program



Local, Regional and Global  
Collaborations



Reserve Management





# BSP's Green Bond Investments



USD Green Bond  
Fund

Launched in 2019

USD Asian Green  
Bond Fund

Launched in 2022



# BSP's Green Bond Investments



## Benefits

Funding green projects in the Asia Pacific region

Investment diversification and return

Bolstering engagement



## Considerations

Financial risks

Greenwashing

Liquidity



**Thank You!**

