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Asian currency under assault as ringgit weakens

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ASIAN currencies came under assault from fund managers yesterday which caused the further weakening of the ringgit and the dumping of the Thai baht.

Dealers told Business Times the attack saw a number of central banks intervening to defend their plunging currencies.

The ringgit closed at 2.5245/50 yesterday and dealers said the ringgit is expected to remain under pressure as fund managers continue to build in the dollar accumulation.

The ringgit closed at 2.5152/62 on Tuesday.

"Hong Kong and Singapore-based banks were buying the ringgit a lot in the morning when Bank Negara intervened at around 2.5220.

"It is believed that the central bank was using the big banks to sell the dollar," dealers said.

In addition to that, dealers said the pulling out of investments in Thailand has had its effect on Malaysia.

"It is something like the domino effect. It hit Malaysia and will eventually also effect Singapore. It has already affected Indonesia," dealers said.

They also said that the weakening of the ringgit can also be due to large buying of the dollar for the purchase of South Africa's state utility, Telkom.

"Telekom Malaysia and its US partner will have to pay US\$1.26 billion (US\$1 = RM2.52) for the 30 per cent stake in the telecommunications company of South Africa.

"The outflow of the ringgit to pay for this also has an effect on the money market," dealers said.

In addition to that, the Kuala Lumpur Stock Exchange dropped 11 points which caused the players to be uncertain.

"Their uncertainty is further affected by the fact that the Prime Minister Datuk Seri Dr Mahathir Mohamad is going away for a two-month vacation. Somehow, the market is jittery about this," dealers explained.

Due to the weakening of the ringgit against the US dollar, the local currency naturally weakened against other currencies as well.

Against the pound, the ringgit was traded at 4.1175/85. Meanwhile, against the deutschemark, the ringgit was 1.4815/25.

It was at 2.1260/70 against the yen and 1.7570/80 against the Singapore dollar.

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