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CURRENCY, EQUITY MARKETS PICK UP OVER SUPPORT FOR PM

KUALA LUMPUR, Oct 8 (Bernama) -- The currency and equity markets showed signs of partial recovery following strong support by many quarters for the leadership of Prime Minister Datuk Seri Dr Mahathir Mohamad and his handling of the financial crisis.

The ringgit, which dropped more than 30 percent in value from 2.52 against the US dollar to 3.36 recently, ended at 3.17 at the close of today's trading.

The stock market meanwhile closed at 836.60 points, a substantial recovery from its lowest level for the year of 675.15 recorded on September 4.

After two months of slump, the ringgit recovered sharply on rumours that the International Monetary Fund (IMF) will inject US\$3 trillion to aid Southeast Asian countries battered by the currency attack.

A dealer, who spoke on condition that he not be named, said activities today were mainly focused on the rumours, adding: "It is a huge amount of money involved but it is only rumours."

He said all the affected currencies in the region are now finding the "right footing" before stabilising.

In intra-day trading, the ringgit hit a low of 3.22 and a high of 3.15 against the greenback.

The dealer said profit taking started yesterday and today's activities were mainly on cross trade between the Singapore dollar and the ringgit.

Remarks by Deputy Prime Minister Datuk Seri Anwar Ibrahim yesterday that the 1998 Budget will contain measures to reduce the current account deficit (CAD) and the government will put the economy back on track also fuelled sentiment.

The manager of Rating Agency Malaysia Bhd's Economic and Market Research Department, Dr Yeah Kim Leng, said Malaysia's trade balance is likely to improve over the next six to 12 months through boosts in exports and cutbacks in imports as a result of a weaker ringgit.

Other helpful factors include the reduction of lumpy imports, the postponement of several mega-projects and export boosts through improved international price competitiveness, he said.

"The government's target to reduce the CAD to four percent of gross national product (GNP) from 5.5 to 6.0 percent projected for this year is within reach," he said in a paper entitled "Economic Outlook for Malaysia" presented at the seminar on "Fixed Income Bond Market" organised by the Malaysian Forex Association today. -- BERNAMA

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