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Greenback rises against yen, mark

Bank of America Treasury Division

THE US dollar was firmer against the deutschemark and yen at the beginning of the week on worries over the health of China's paramount leader Deng Xiaoping and talk of fresh conflict in West Asia.

The dollar broke above the DM1.70, hitting a 34-month high at DM1.7045.

It however was unable to hit a fresh high against the Japanese unit as fears of possible Bank Of Japan intervention caused players to book profits ahead of 125 yen.

However by mid-week the dollar tumbled as the mark bolstered by a precipitous fall in both the Lira and British pound recovered some ground against the dollar.

Mounting fears Italy will not be a member of the first group of European nations forming a single currency and fading expectations of further interest rate rise in England caused a steep slide in the both the lira and sterling against the mark.

This in turn caused the dollar to weaken against the mark.

The dollar shrugged off Deng Xiaoping's death when it became apparent that there will be no real change in China's power structure.

The knee jerk reaction was to buy dollars but with smooth transition of power, there was no real reason to buy.

Far more significant were comments made by Bundesbank council member Ernest Welteke, who was quoted as saying that the dollar level of 1.70-1.75 mark will not risk importing inflation into Germany.

These comments brought dollar back up towards 1.70 mark level and also dragged up against yen.

The dollar/ringgit traded in a broad range of 2.4960-2.4810 for the whole week.

Lack of fresh factors caused the dollar/RM to trade in an erratic and choppy manner.

The dollar was initially higher as rumours of possible Cabinet reshuffling grew. It was traded to as high as 2.4950 but selling by Japanese banks capped further gains.

The dollar witnessed a sharp sell off to a low of 2.4810 after Dr Mahathir denied talks of a cabinet reshuffle.

In the medium term the ringgit is expected to strengthen further against the dollar.

The ringgit is anticipated to post further gains against the Singapore dollar this week. The Singapore dollar is expected to weaken towards RM1.7200.

While every effort has been taken to ensure accuracy, no liability is assumed on our part for error of facts and opinions.)

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