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Ringgit bounces back from historic low against dollar

Kasmiah Mustapha

THE ringgit bounced back from its historic low against the United States dollar on a swift reaction to the Government's move to delay several major infrastructure projects and lifting of stock trading curbs.

At 5pm, the ringgit, which has lost more than 900 points against the greenback after series of speculative attacks, closed at 2.9425/75 compared with 3.0340/90 at Thursday's close.

Dealers said the ringgit touched the lowest of 3.0575 in New York trading overnight before strengthening slightly to 2.9780 on profit-taking activities.

The positive sentiment spilled over to the Kuala Lumpur Stock Exchange, which saw the benchmark Composite Index rising 90.47 to close at 821.59 yesterday.

The sentiment also helped prop up the local forex market as the ringgit opened the day at 2.9460 to the dollar.

It then reached a high of 2.92 against the greenback in volatile trading before ending at 2.9425/75.

On Thursday, the local forex market reacted positively to Prime Minister Datuk Seri Mahathir Mohamad's announcement to lift trading restrictions on 100 stocks which form the Kuala Lumpur Composite Index.

He also announced the delay in several large infrastructure projects such as the Bakun hydroelectric dam, Northern Regional International Airport and the Kuala Lumpur Linear City.

Arab-Malaysian Bank Bhd assistant general manager of treasury division Mohamed Iqbal Mohamed Iqbal said the so-called "mega projects" had been perceived to be the Achilles heel of the Malaysian economy by the foreign exchange as well as the stock markets.

"The projects are expected to have negative impact on the country's current account deficit for this year and the years to come," he said.

He added the delay in implementation was seen as strong signal of the Government's commitment to ensure the deficit was contained within a manageable level.

"It is also a reflection of the Government's realisation of the peril posed by the quick and sudden downfall in the value of the ringgit and stock market and its long term implication on the overall health of the economy."

Another dealer said the ringgit needed to maintain its bull run against the greenback next week.

He added that in 1994, the US dollar enjoyed a 10-week upward cycle against the ringgit. "If the same thing happens this time, we should see the ringgit hit its rock bottom before climbing back to a more stronger level," he said, adding that next week would be the 10-week upward cycle for the dollar.

Mohamed Iqbal said the immediate outlook for the ringgit is that the worst could possibly be over. The local currency is expected to trade at the 2.800 level in the coming weeks.

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