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Ringgit falls under speculative attacks

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PERSISTENT speculative attacks on Southeast Asian currencies caused the ringgit to plunge to a 41-month low against the US dollar in the local forex market yesterday.

At around 4pm, the local currency lost some 505 points or about two per cent to 2.7380/30 against the greenback. It opened the day at 2.6875/85 against the dollar from 2.6500/30 at Friday's close.

The ringgit ended the day at 2.7335/85 to the US dollar.

A dealer attributed the bearish economic outlook of some of the countries in the region to the attack, saying that none of the region's currencies were spared.

"Basically, the offshore players were worried about everything that is happening in the region lately, particularly with Thailand's economy ... so they just decided not to hold any position for these currencies."

She added players were also testing the ringgit's strength after a statement by Prime Minister Datuk Seri Dr Mahathir Mohamad that he was satisfied with the local unit's level and the authorities would not intervene in the market.

"The ringgit has breached all the support levels beginning from 2.60 and then 2.65. As it has broken 2.70, apparently they wanted to see whether it can go beyond that level."

She said with the current sentiment, it was difficult to predict where the ringgit could end, adding that the next "psychological" level was at 2.80.

Another dealer said although fundamentally, Malaysia's economic outlook was better than Thailand or the Philippines, offshore players tended to look at the currencies as a group.

"They did not single out one currency but rather look generally at the region ... and the ringgit was caught up in their speculative attacks."

Meanwhile, AFP reports that Southeast Asian currencies dipped against the greenback amid economic uncertainty.

The Thai baht was not spared even as the International Monetary Fund and rich nations finalised an aid package of up to US\$16 billion (RM43.2 billion) in Tokyo yesterday to help Thailand's cash-strapped economy.

Southeast Asian currencies have come under pressure since July 2 when Thailand bowed to market demands amid a plethora of economic problems and floated the baht, which immediately plunged.

Nine day later, the Philippines widened the daily trading band for the peso.

The rupiah plunged to 2,614 against the greenback before ending at 2,612 from 2,593 on Friday while the Thai baht closed at 31.00 from an intra-day low of 31.30, dealers said.

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