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RINGGIT GAINS STRENGTH ON TAX PROPOSAL

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KUALA LUMPUR, Aug 14 (Bernama) -- Ringgit gained strength against the greenback today on profit taking following a proposal to tax currency speculators to safeguard the local unit against future assault, dealers said.

Prime Minister, Datuk Seri Dr Mahathir Mohamad said yesterday, the government was studying the idea which was proposed by European countries which faced similar problems.

Taxing currency speculators, he had said, was among the long-term measures being considered by the government to protect the ringgit.

At 5.00 p.m, the ringgit rose to 2.7630/80 from 2.7860/10 yesterday.

Bank Bumiputra Malaysia Bhd's treasury division head, Tajuddin Atan said today, the ringgit, which was moving in tandem with the sentiment of the U.S. dollar, was expected to trade at between 2.75 and 2.80 in the short-term.

"We have seen the ringgit weakened at 2.7930 at a point before the market took profits. At this point of time, we believe that 2.7960 to 2.80 will form a triple top," he added.

If that is being the case, he added the ringgit is expected to top at 2.80.

However, if the level is broken, the ringgit might test a higher level of 2.85, he said.

(A triple top means that after its rise, it will retrace its move. In the case of the U.S. dollar/ringgit, the dollar is supposed to retrace its move, hence the ringgit goes higher.)

A forex dealer agreed that 2.75 - 2.80 level would be critical for ringgit, saying that the market was now quiet as players were cautious although market sentiment was still speculative.

He said that forex speculators also exercised caution after the tax proposal, choosing to wait for Bank Negara's next move or further statements from both the prime minister and his deputy, Datuk Seri Anwar Ibrahim.

However, by this afternoon, there was no Bank Negara intervention, while rumours that the central bank would reduce the statutory reserve requirement (SRR) by one percent was dampened by a denial from an official.

The dealer said that the ringgit would have a better chance of getting out of the current situation if Bank Negara does not intervene heavily in the forex market, reduce interest rates, allowing the stock market to move on its own and not dependent on support from government-controlled funds.

While putting the fate of the ringgit in the hands of market forces for the first three consecutive days this week, Bank Negara has been lending aggressively through its agents in the money market to lower interbank rates.

"A money market dealer said Bank Negara has no choice, it either has to help the money market which is experiencing tight liquidity or the currency market.

It chooses the money market, where it has a better chance", he added.

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