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RINGGIT MAY EXTEND FALL AGAINST GREENBACK NEXT WEEK

KUALA LUMPUR, Aug 16 (Bernama) -- With unfavourable regional sentiments, ringgit is expected to stay weak against the US dollar next week.

On Friday afternoon, the local unit dropped to 2.8210 against the US dollar, its lowest in history since it was floated in 1973, on speculative attacks.

However, the ringgit recovered to close at 2.7830/50 on profit taking. Last week, it closed at 2.6500/30.

Dealers said some foreign funds were talking about the possibility that the ringgit may fall to the 3.00 level if speculative attacks on the currency continued.

They said whether or not Bank Negara would intervene to stop the attack, was subject to speculation, noting that prime minister Datuk Seri Dr Mahathir Mohamad had said that Malaysia will let market force to decide the ringgit/US dollar level.

A dealer said it might take a while before ringgit could recover, adding that "it would be too optimistic to say that the local unit could recover to the 2.50 level by the end of the year."

He also said that the rupiah free float on Thursday is expected to continue to have adverse impact on regional currencies.

Another dealer said the ringgit's further trend will also depend on overseas market, adding that rumour of a cut in the statutory reserve requirement was also affecting sentiments in the forex market, despite a denial by an official yesterday.

"There is also the continued strength of the US dollar and this will not favour the ringgit's recovery," he added.

This week, the ringgit opened weak against the US dollar and continued the trend for three days. It recovered slightly on Thursday, but the free float of rupiah caused it to fall against the US dollar on Friday, along with other regional currencies.

Overall, the ringgit's performance against other major currencies was also weak. Ringgit fell to 1.8264/95 against the Singapore dollar from 1.7924/54 at the previous Friday's close.

Against the Japanese yen, ringgit dropped to 2.3485/22 from 2.2386/30, against the deutschemark, ringgit fell to 1.5089/08 from 1.4147/70 and against the pound sterling to 4.4322/82 from 4.2175/49.

Meanwhile, on the money market interbank rates softened further following continued lendings by Bank Negara, particularly in the early part of the week, to ease the tight liquidity.

Next week, dealers foresee the rates to be near the current level.

"We have to see whether Bank Negara would try to ease tight liquidity next week," a dealer said.

One-month interbank rates closed the week at 7.38 percent, down from 7.99 percent last week, two-month dropped to 7.48 percent from 8.0 percent and three-month fell to 7.56 percent from 8.00 percent.

Six-month fell to 7.68 percent from 8.00 percent, nine-month was down to 7.75 percent from 8.00 percent and 12-month declined to 7.76 percent from 8.00 percent.--BERNAMA

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