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Ringgit still under selling pressure

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SELLING pressure on the ringgit continued to dominate forex activities yesterday with the local unit losing more than 300 points against the US dollar.

The ringgit opened at 2.7750/78 from Monday's overnight close of 2.7335/85. It hit a low of 2.7810 during intra-day trading before closing at 2.7655/85.

Despite this drop, economists and forex dealers said the ringgit's movement should be determined by market forces without any interference from Bank Negara.

"Yes, the ringgit has lost its value by losing more than 10 per cent against the greenback in the past month. But now is not the time to intervene as the central bank should adopt a non-interference policy," a dealer said.

An economist said in the short term, it would be difficult to predict whether the ringgit would be able to hold its ground against the dollar, adding that "we should let things settle".

"At the moment, the central bank needs to keep interest rates low and eventually, hopefully, the sentiment on the ringgit will improve."

The usually strong Singapore dollar plunged to a 37-month low against the greenback yesterday and sent the already-volatile Malaysian ringgit and other Southeast Asian currencies into a tailspin.

The Singapore unit fell sharply after the Monetary Authority of Singapore said it was not overly concerned by a five per cent drop in the currency during regional foreign exchange turmoil, dealers said.

The Singapore unit, regarded as a safe haven in times of regional crises, dived to 1.5140 against the US dollar - a level last posted in July 1994 - from Monday's close of 1.4793.

It recovered slightly to 1.5100 on talk that some of the big local banks were selling the greenback, a dealer said. Malaysia, Thailand, the Philippines and Indonesia sought to stabilise their currencies through the intervention of their central banks at the peak of the currency turmoil following the devaluation of the baht on July 2.

On whether the ringgit was under speculative attack again yesterday, an economist said it was no longer speculation which caused the fall but the cashing out of foreign fund managers.

He said with the bearish sentiment on the Kuala Lumpur Stock Exchange and the lower ringgit, the fund managers have decided to take out their money and place it somewhere else.

"It's a vicious cycle ... since they cannot make money in the stock market, the foreigners decided to take their investment with them.

"And as the investment is in ringgit, they have to sell it for the US dollar."

On Monday, the ringgit plunged to a 41-month low against the US dollar as players were testing the local unit strength after a statement by Prime Minister Datuk Seri Dr Mahathir Mohamad that he was satisfied with the ringgit's level and the authorities would not intervene in the market.

"We have to be careful now as the next event could trigger another set of selling mania for the ringgit.

"Silence is the best policy," he added.

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