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RINGGIT STAGES REMARKABLE RECOVERY

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KUALA LUMPUR, Oct 9 (Bernama) -- After being battered for almost three months now, the ringgit staged a remarkable recovery today, crawling back to 3.0550 from a low of 3.41 last week.

Though it is still some way off from the 2.52 level at which the economy would be able to grow comfortably, analysts said it is a sign that the local currency has the tenacity to return to normalcy soon.

The rebound over the past two days has been mainly due to positive expectations at the forthcoming budget, which Deputy Prime Minister Datuk Seri Anwar Ibrahim would present next week.

Nevertheless, the market is still volatile and its trend in the next few weeks would depend on what Anwar unveils on Oct 17, but the expectations that measures to further reinforce the economy augur well for the ringgit.

As far as the market is concerned now, "basically, it is one big round of profit taking with players eager to unwind their US dollar positions before budget day," the dealer said.

Unconfirmed rumours of intervention by Bank Negara in the last two days plus further talk that the International Monetary Fund (IMF) would pump in US\$3 trillion (about RM9 trillion) to help Asean economies lent a helping hand.

Another piece of favourable news of the IMF and the World Bank being supportive of Prime Minister Datuk Seri Dr Mahathir Mohamed to curb speculative trading and a special market for currency trading.

As the ringgit recovered, corporate players, who have been buying the US dollar particularly when dollar/ringgit hit the 3.4 mark more than a week ago, joined the bandwagon by selling the greenback.

Another dealer said "the ringgit's substantial rise against the US dollar is good, but maybe not fantastic...a lot will hinge on the content of the national budget."

Most dealers agreed that the ringgit would stay above RM3.00 to a dollar before Budget day.

Although the ringgit has strengthened, the advance would be capped at the RM3.00 level to the dollar because there was still a lot of demand for the greenback from the corporate sector, a dealer said.

On rumours of Bank Negara intervening, the dealer said it started when a major local bank start selling a large amount of the greenback.

This belief was made stronger because the Bank of Indonesia had also intervened in Sydney to sell US dollars and it was thought to be a concerted effort to push up the region's currencies.

"But, we don't know whether the local bank acted as an agent of Bank Negara or for a big customer, but what we are sure is that the big local bank has been aggressive" he added. -- BERNAMA

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