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RINGGIT WEEKLY

RINGGIT TREND TO BE DETERMINED BY GREENBACK'S MOVEMENT NEXT WEEK

KUALA LUMPUR, Oct 17 (Bernama) -- The ringgit's trend next week is expected to depend on the U.S. dollar's movements against other major currencies, said dealers.

One of them said a factor that would greatly influence the dollar is whether European financial authorities would follow the U.S. Federal Reserve's move to lower interest rates.

He said if central banks in Europe also cut, then any further downside potentials of U.S. dollar will be capped.

"Against this backdrop, therefore, our ringgit may move sideways to lower against major currencies in continued slim trading next week," he said.

Locally, the results of the five-day visit of Prime Minister Datuk Seri Dr Mahathir Mohamad to Japan is expected to contribute towards positive sentiment among local investors.

Dr Mahathir is taking the opportunity to explain to the Japanese political and business communities about Malaysia's recent selective exchange controls.

"I hope with Dr Mahathir's explanation, more Japanese investors and traders, especially those who have interest in Malaysia, will be crystal clear about their investment plans here. With the controls, their interests are safer and still viable while the business scenario is more predictable," he added.

Special Functions minister Tun Daim Zainuddin said on Friday that Malaysia would only reverse its selective currency control policies if there is a more accommodating international financial architecture to bring stability to currencies.

Bank Negara Deputy Governor Datuk Dr Zeti Akhtar Aziz also said the central bank has no intention of making frequent changes in the current pegged dollar/ringgit at RM3.80.

But if there were to be a change, it would be based on fundamentals, she said.

During the week under review, the ringgit lost against major currencies from a fall in the value of the greenback against other currencies especially the yen, German mark and pound sterling, which prompted a gradual but thin selling pressure on the local unit.

The ringgit closed mostly lower on week-on-week basis against major currencies except for pound sterling.

It closed lower against the Singapore dollar at 2.3425/3467 from 2.3022/3040 the previous Friday, against the yen at 3.2706/2732 from 3.2176/2210 and against the German mark at 2.3507/3528 from 2.3254/3273 previously.

Against pound sterling, the local unit was stronger at 6.4500/4555 from 6.4724/4761.

During the just-ended week, the yen saw strong demand, especially from retail players following two positive factors. One was a serious stand taken by the Japanese government to initiate a reform package aimed at recapitalising its ailing banks, and secondly, the U.S. Federal Reserve's move to cut interest rates.

On the money market, Bank Negara was actively borrowing funds from the system in a move to reduce some of the surplus liquidity in the interbank market.

The one-month Klibor dipped to 6.68 percent Friday against 6.85 percent the previous Friday while the three-month monies eased to 7.07 percent from 7.19 percent previously. -- BERNAMA

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