

# Ringgit peg holds fast despite Singapore dollar move

SUN 1.3 JUL 2001

**KUALA LUMPUR:** The ringgit peg will hold fast despite renewed pressure for change following yesterday's move by neighbour, Singapore, to adopt a neutral exchange rate policy, local dealers said.

The Monetary Authority of Singapore shifted to the policy for the Singapore dollar, citing the downturn in its trade-driven economy, versus its bias of gradual and modest currency appreciation on a trade-weighted basis.

"Definitely it will put more pressure on the ringgit, especially with all the other regional currencies giving up as well," said a Kuala Lumpur money broker.

But he expected no change to the country's currency peg at 3.8 ringgit to the dollar, established by Prime Minister Datuk Seri Dr Mahathir Mohamad in 1998 along with wide-ranging capital and foreign exchange controls intended to combat Southeast Asia's economic crisis.

The monetary authority said its change came against the backdrop of a weaker external economic environment and protracted global electronics downturn as near-term growth prospects for the Singapore economy turned significantly weaker.

The Singapore dollar bounced back sharply from a fresh 11-year low around 1.84 to the dollar as the central bank intervened in the market yesterday, dealers said.

The Singapore dollar lost half a cent immediately after interbank players scrambled to sell following the monetary authority's surprise policy shift.

"Maybe there's some pressure for this change in Malaysian policy but to what extent it will come is anybody's guess," said a foreign exchange dealer at a local bank.

Reuters