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INTEREST RATES

AMANAH CAPITAL: GLOBAL FACTORS WILL INFLUENCE LOCAL INTEREST RATES

KUALA LUMPUR, Nov 3 (Bernama) -- Amanah Capital Group says domestic interest rates were stable in October with the benchmark three-month Klibor holding at 3.29 percent throughout the month.

It said in its monthly review that not only was the three-month Klibor at a standstill, the one and three-month Klibor remained stuck at their marks.

The longer-term Klibors varied by one basis point during October.

Amanah Capital said domestic interest rates would continue to be significantly influenced by the weakened world economic outlook.

The forecast for the three-month Klibor is around 3.30 percent for the remainder of 2001 and for 2002.

"There is only a small chance that Bank Negara Malaysia will ease rates a little in line with low interest rates which are prevailing globally. In the medium term, there is unlikely to be any movement in the three-month Klibor from the prevailing level," it said.

Throughout 2001, Amanah Capital said monetary policy globally in general, and specifically in the US, was significantly loosened, with a corresponding easing in interest rates.

Just when it was anticipated that the US Federal Reserve would slow or complete its easing of interest rates, the September 11 terrorist attacks on the US took place.

The economic shock triggered by those developments compelled the Federal Reserve to continue vigorous interest rate cuts to shore up consumer confidence, said Amanah Capital.

It said the global slowdown had affected the Malaysian economy significantly and this prompted the government to introduce some measures in the 2002 Budget to alleviate this situation.

Amanah Capital said the budget also dropped subtle hints on the government's thinking on interest rates.

"It would seem that official policy attempts to balance the interests of individuals who are highly dependent on interest income through the proposed RM1 billion issue by BNM of Bon Simpanan Malaysia which yields 5.0 percent."

In the meantime, it said the considerable overhang of liquidity accumulated in the banking system is expected to be maintained through 2002.

It said that Prime Minister Datuk Seri Dr Mahathir Mohamad recently said some RM80 billion was not lent in the banking system.

"We maintain the rationale that BNM will continue to maintain low rates without necessarily resorting to easing deposit rates. This is happening despite growing pressures as the US and other trading partners' interest rates are cut to below equivalent domestic rates."

At the same time, Amanah Capital also said the authorities are keeping a tight rein on potential inflationary threats. -- BERNAMA

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