

Ringgit to touch RM2.20 against US dollar by 2012
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The ringgit is expected to touch RM2.20 against the greenback by 2012, following the continued strengthening of the local currency, says Malaysian Investors Association (MIA) president PHS Lim.

"The ringgit, together with other Asian currencies, are getting more spicy and hot caused by further financial problems in the European Union and the slow economic momentum in US," he told Bernama today.

Lim said Asian gross domestic product was expected at 7.1 per cent against the global average of 4.8 per cent for 2011.

He said the US Federal Reserve was mopping up Treasury bills worth US\$600 billion and at the same time, printing more new notes.

"This has made some governments to call for gold to be used as reserves and this is driving gold price to all-time high of US\$1,364 per troy ounce," he said.

Lim said the US government kept pressuring China to strengthen its renminbi to make Chinese goods less competitive.

However, Lim said, currency was not the only factor in production and services.

"US wages are too high, making up 60 per cent of their total production and service costs," he said, adding that trade war and currency were intertwined.

"We had seen US-Japan trade war in the 80s and history keeps repeating itself. Some countries have called for US greenback to be replaced as international currency and reserves," he said.

In fact, many central banks are placing more reserves in other currencies and gold, he said.

He said fund managers, international investors kept buying gold and hot money are chasing Asian and Brazil, Russia, India and China assets, causing inflation fear.

Lim said the EU faced another round of financial crisis and needed €440 billion (€1 = RM4.14) to bail out its indebted members.

The EU and the International Monetary Fund had set up a €750 billion fund to help Greece in May, he said.

"Now Spain is facing a possible meltdown. Some member countries are not too happy to provide additional funds to boost European financial stability.

"This situation may further drive up Asian currencies and gold prices," he said.

- Bernama.

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