

'BEST TRACK IN 14 YEARS'

Strengthening ringgit to boost investor confidence, says PM

KUALA LUMPUR: Prime Minister Datuk Seri Anwar Ibrahim expressed confidence that the strengthening of the ringgit will further enhance foreign investors' confidence in Malaysia.

He also said his recent statements about the ringgit had been misunderstood.

"I never said the ringgit was the strongest currency in Asia. What I said was that the ringgit had shown the highest increase in Asia.

"So, if you want to criticise, that's fine, but refer to the accurate statement," he said after the launch of guidelines on the management and governance of federal statutory bodies yesterday.

He reminded the public to listen to his speech in full before drawing any conclusions.

Recently, Anwar said the ringgit was on its best track in 14 years due to the collective efforts of all parties.

He said the strength of the domestic economy, combined with the strategic measures implemented by the Finance Ministry, its departments and agencies, bolstered the value of the ringgit.

Kenanga Investment Bank Bhd (Kenanga Research) said in a note yesterday it had a neutral-to-bullish outlook on the local note for next week, with the ringgit-US dollar pair likely to gravitate towards its five-day exponential moving average (EMA) of 4.486.

The research firm said while it remained bullish on the ringgit in the coming months, current United States recession fears were overstated and the market was pricing

in more Federal Reserve (Fed) rate cuts than necessary.

"The lower-than-expected US weekly initial jobless claims, combined with a potential 0.2 per cent month-on-month increase in US core inflation, could temper expectations for aggressive rate cuts, allowing the US dollar to regain some of its safe haven appeal.

"Our projection remains for two rate cuts by the Fed, particularly given the political and geopolitical risks on the horizon.

"This environment may cause the ringgit to fluctuate between 4.45 and 4.55 against the US dollar in the coming weeks, with the ringgit continuing to benefit from favourable domestic macro."

Kenanga Research said last Friday's weaker-than-expected US jobs report substantially influenced expectations for the Fed's policy direction, with the market now pricing in a 50 basis points (bps) rate cut next month.

This shift dragged the US dollar Index (DXY) down to 102.7 and pulled the 10-year US Treasury yield below 3.8 per cent on Monday, driving the ringgit to a stronger-than-expected level of 4.43 versus US dollar.

Subsequently, the ringgit corrected to around 4.70 to 4.50 as the DXY rebounded above 103.0, spurred by a recovery in US services sector activity, which eased recession fears.

It also said a tech-driven sell-off and the unwinding of yen carry trades exerted further downward pressure on the DXY.