

## **Ringgit continues to decline as US probes 1MDB**

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**STORY BY BLOOMBERG**

The ringgit added to Monday's decline after the New York Times (NYT) reported the US Justice Department has started an investigation into allegations of corruption associated with Malaysian Prime Minister Najib Abdul Razak and people close to him, spurring a surge in debt insurance costs.

The NYT said the probe is focusing on US properties that were purchased by shell companies belonging to Najib's stepson and money in the premier's personal bank account. A report days earlier from the Wall Street Journal said the US Federal Bureau of Investigation began a probe into alleged offshore money laundering by state investment company 1Malaysia Development Bhd (1MDB). The ringgit is already Asia's worst-performing currency in the past 12 months amid the political scandal involving 1MDB and plunging commodity prices.

"The '1MDB wound' is getting fresh knocks from the US," said Vishnu Varathan, a Singapore-based economist at Mizuho Bank Ltd. "Malaysia has suffered from the pre-existing commodity dent and softer currency that could exacerbate the vulnerabilities from external debt."

Najib's press officer didn't immediately respond to a call and text message seeking comment on the New York Times report.

The ringgit retreated 0.5% to 4.2835 a dollar as of 10:46 am in Kuala Lumpur following Monday's 1.4% loss, according to prices from local banks compiled by Bloomberg. It has weakened 24% in the past year and fell to a more than 17-year low this month, with prospects of a US rate increase compounding losses.

Five-year credit-default swaps on Malaysian sovereign bonds rose 16 basis points to 188 in New York on Monday, the biggest increase since January, CMA prices show.

1MDB came under criticism from opposition lawmakers last year because of its rising debt, which stood at RM42 billion as of March 2014. The value of the firm's assets exceeds its debt, according to an e-mailed statement from the company on Tuesday. "1MDB has consistently met, with no default, its interest service and principal repayment obligations, to both foreign and domestic lenders," it said.

Bank Negara Malaysia will issue foreign-exchange reserves figures for the first two weeks of September later on Tuesday. The holdings have dropped 18% this year to US\$94.7 billion (RM402.6 billion), fueling speculation the central bank was intervening by selling dollars to stem the ringgit's losses.

Malaysia's government bonds fell, with the 10-year yield rising seven basis points to 4.21% in its biggest increase in a month, prices from Bursa Malaysia show. The five-year yield climbed eight basis points to 3.86%.

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