

Ringgit falls to RM4.407 against USD after Moody's downgrade

Malaysian Insider

Jan 11, 2016

Malaysia's ringgit extended losses after Moody's Investors Service cut the nation's credit outlook to stable from positive, bringing the assessment in line with other major ratings companies.

The currency weakened 0.5% to 4.4070 a dollar as of 2.26pm in Kuala Lumpur, according to prices from local banks compiled by Bloomberg. It fell as much as 0.8% in the morning session after muted Chinese inflation data added to risk aversion across emerging markets following last week's selloff in stocks and currencies.

The ringgit is under pressure from a slump in Brent crude, which is trading at the lowest level in 11 years and crimping government revenue for Asia's only major net oil exporter ahead of a review of this year's budget.

Moody's cited the external environment in a statement today as it lowered the outlook on the A3 sovereign, the fourth-lowest investment grade. Malaysia's factory output growth slowed in November to the least in 16 months, data showed today.

"There will be increased focus on the revised budget, especially on whether the 3.1% fiscal-deficit target can be maintained," said Khoon Goh, a senior foreign-exchange strategist at Australia & New Zealand Banking Group Ltd in Singapore. He said the ringgit moved "slightly" lower after the Moody's announcement.

China risk

Gauges of developing-nation currencies and shares remained lower early today even after the People's Bank of China kept its daily yuan fixing steady for a second day, spurring gains in the onshore and offshore rates.

Figures at the weekend showed consumer prices in the world's second-biggest economy increased less than the official target, adding to concern that more measures will be needed to support growth.

Last week's US jobs data also didn't help the ringgit, according to Rabobank Group.

"No one really believes the China situation has been resolved, so more panic today or at least this week," said Michael Every, Hong Kong-based head of financial-markets research at Rabobank in Hong Kong.

"There's a knee-jerk reaction to the stronger payrolls, so they're going to keep hiking and that's good for the dollar."

US employers added 292,000 workers in December, exceeding the highest estimate in a Bloomberg survey, according to a Labor Department report on Friday. An index tracking the dollar against 10 major currencies rose to the highest level that day since

at least 2004.

The FTSE Bursa Malaysia KLCI Index of shares dropped 0.8%, extending last week's 2.1% decline. The yield on 10-year government bonds climbed three basis points to 4.25%. – Bloomberg, January 10, 2016.

Copyright © 2015 Edge Insider Sdn Bhd

Source:

<http://www.themalaysianinsider.com/malaysia/article/ringggit-falls-to-rm4.407-against-usd-after-moodys-downgrade>