

Ringgit extends gains against US dollar

It hits new high against pound sterling ^{Star 27/10}

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PETALING JAYA: The ringgit continues to strengthen against the US dollar, alongside several other Asian currencies, as US policy-makers continue to play down the possibility of an interest rate hike so close to the US presidential election.

Globally, stock markets slipped as crude oil prices traded lower. Analysts reckoned that there would be no rate hike in November because of the presidential election, but said there could be one in the December meeting.

The ringgit has been on an upswing lately, strengthening for eight days in a row since Oct 17 against the greenback to 4.158 yesterday.

The ringgit touched a new high against the pound sterling at 5.08, the highest since September 2013.

AllianceDBS Research chief economist Manokaran Mottain said the US presidential election and lower anticipation of interest rate hike in November by the US Federal Reserve has increased the uncertainty in the US dollar.

"Although Hillary Clinton is heading the poll, the results could be different as we saw during the Brexit referendum. The uncertainties in the election results and interest rate hike by the Fed has impacted the US dollar rally," he said.

However, Manokaran noted that the ringgit would continue to move in tandem with crude oil prices.

Meanwhile, AmResearch said Budget 2017,

in which the Government has maintained a fiscal deficit target of 3% against gross domestic product, coupled with the earlier weakness in the ringgit over the past one month, could "reignite" buying interest into local assets.

"That could moderate the depreciation pressure of the ringgit against US dollar," it said in a recent report.

RAM Ratings said in a report that the income-supporting policies announced under Budget 2017 would contribute positively to the economic growth next year, and alleviate some of the pressure on monetary policy.

However, RAM said there could still be space for another cut in the benchmark overnight policy rate next year should external demand continue to weigh on the Malaysian economy.

Maybank Kim Eng head of foreign exchange research Saktiandi Supaat said the pound sterling has fallen by more than 20% against the US dollar this year. He added that data pointed to more weakness ahead for the pound sterling with the pound sterling-ringgit cross rate seen at 5.06 levels.

The Fed raised the federal funds rate last December by 25 basis points, while the minutes of the September Federal Open Market Committee meeting showed that policymakers were deeply divided over the next rate hike.

The FTSE Bursa Malaysia KLC Composite Index yesterday closed 3.16 points or 0.2% alongside with other Asian markets after the US shares finished lower on Tuesday while crude oil prices slipped.