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RINGGIT CAN REBOUND FROM 18-YEAR LOW, SAY ECONOMISTS

Firmer commodity prices, positive development in external sector to support currency

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THE ringgit can rebound from its current low when there is more positive development in the external sector, said economists.

Professor of Economics at Sunway University Business School Dr Yeah Kim Leng said the ringgit's 18-year low against the US dollar was not reflective of the country's economic fundamentals.

"Nonetheless, it is, however, difficult to predict when it will correct to a more reasonable level. It may happen sooner than expected if the strengthening of US dollar is tempered by greater clarity of (United States president-elect Donald) Trump's policies," he told New Straits Times.

Yeah said the ringgit would also quickly retrace to its fundamental value if the country's risk premium was lowered by resolution of the Malaysia Development Bhd issue and other domestic economic and political uncertainties.

Bank Islam Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said he viewed the ringgit as extremely undervalued.

He said among the catalysts that might push the ringgit up included the upcoming 14th general election.

"As for ringgit against US dollar, I am looking at a range of between 4.45 and 4.50 in the first quarter of this year," he said.

Against regional currencies, Mohd Afzanizam said he expected ringgit

to trade at 3.08 and 3.09 against Singapore dollar, 7.95 and 8.0 against baht and 2,950 and 3,000 against the rupiah.

Yesterday, ringgit strengthened 0.29 per cent to close at 4.4725 against US dollar from 4.4858 recorded the day before.

On a weekly basis, ringgit edged 0.31 per cent higher from 4.4862 against US dollar recorded last Friday.

On Thursday, Treasury secretary-general Tan Sri Dr Mohd Irwan Siregar Abdullah said the local currency was expected to rebound by the middle of this year.

"I hope to see some improvement in the coming months. But I am not a fortune teller because things will

depend on the world market. Bank Negara Malaysia is monitoring (the situation)," he was quoted as saying at a briefing on the country's economy and the Malaysia People's Aid.

"Yes, we are echoing his views," said MIF Amanah Investment Bank Bhd chief economist Dr Kamaruddin Mohd Nor, adding that the research house expected firmer commodity prices as well as positive development in the external sector to support the local currency.

Kamaruddin said MIF expected crude palm oil prices to trade higher at RM2,800 to RM3,300 a tonne in the next three months.

"The demand is expected to remain stable due to stocking activity ahead of the New Year holiday in China. For supply, we are still in the seasonal production downtrend, which should last up to February or March," he said.

