

New Straits Times - Bursa, Ringgit Hit High Note

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MARKET RALLY

BURSA, RINGGIT HIT HIGH NOTE

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Key index's best performance since August 2015 as investors react well to Fed rate hike

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BURSA Malaysia and the ringgit rallied yesterday after investors reacted warmly to the United States Federal Reserve's (Fed) interest rate hike.

Analysts said the local bourse rallied to its highest level in 19

months. On August 3 2015, the index had hit a high of 1,744.19.

Yesterday, the benchmark FTSE Bursa Malaysia KLCI edged up 1.15 per cent, or 19.78 points, to settle at 1,737.14.

The 25-basis-point Fed hike to the 0.75-1.00 per cent range prompted a positive spillover effect on Bursa Malaysia and other regional markets, said analysts.

"The performance of the local

bourse was in tandem with regional peers," said JF Apex Securities.

The ringgit, meanwhile, opened at 4.4360 against the US dollar and at 5pm, it was traded at 4.4390 from Wednesday's close of 4.4488.

AmBank Bhd said the stronger ringgit was also influenced by external noises as crude oil price rose to US\$49.09 (RM271), buoyed by bullish inventory data.

It noted that the greenback dipped 1.24 per cent mainly due to the Fed not making any changes to its rate projections and reassessment of the eco-

nomie outlook.

Hong Leong Investment Bank Bhd (HLIB) said the less hawkish tone led to a decline of the dollar.

UOB Bank noted that the Federal Open Market Committee continued to have a positive outlook on the economy and labour market, while higher prices were also on the cards as inflation had increased in recent quarters.

The bank maintained its forecast of three US rate hikes this year, saying the next two hikes would be in June and September.

"One of the reasons for our hawkish Fed rate trajectory outlook in the coming years is due to

(US President Donald) Trump's likely expansionary US fiscal policies and we will watch Trump's budget proposal closely," said UOB Bank economist Alvin Liew.

HLIB expects another two rate hikes this year, looking to a boost from Trump's pro-growth policy.

It has maintained its ringgit forecast at 4.30-4.55 versus the US dollar this year.

"While bond outflows may continue, ringgit support comes mainly from higher commodity surplus as well as Bank Negara Malaysia's foreign exchange measures that provide a buffer to counter the bond outflows."