

LIRA CRISIS

RINGGIT HIT BY SELLING WAVE

Local currency 4th worst performer in Asia after Singapore dollar, won and yuan yesterday

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THE ringgit continued its slide from last Friday to touch its lowest point since last year amid a plunge in the Turkish lira that set off a wave of selling across emerging markets.

The ringgit, which lost about 0.2 per cent in a single day to breach 4.10 against the US dollar for the first time since November, was also the fourth worst performer in the Asian market, behind the Singapore dollar, won and yuan as at 7.15pm yesterday.

Emerging market currencies faced the same fate, either falling or staying flat, except for the lira which clawed back some losses.

Analysts said the lira crisis caused investors to drop risky assets in favour of safe haven assets such as the US dollar and yen.

AmBank group chief economist and research head Dr Anthony Dass said the sharp drop in the lira by 70.6 per cent year-to-date and rising cost of insuring with



Dr Anthony Dass



Dr Kamaruddin Mohd Nor



Manokaran Mottain



Dr Ahmed Razman Abdul Latiff

the five-year credit default swap hitting the highest since April 2009 had raised fears of a potential crisis.

Therefore, the risk from the potential crisis on emerging markets could not be ruled out, he said.

“Countries with heavy foreign US dollar-denominated debt will face strong pressure from a strengthening greenback and a rising United States interest rate. Apart from Turkey, the risk is on Argentina, the Philippines, Brazil, Indonesia, Mexico and Malaysia.”

Dass said vulnerability of the ringgit was partly due to high public debt to gross domestic product (GDP), gross financing that needs around 10.4 per cent of GDP and about US\$80 billion (RM328 billion) maturities coming next year.

MIDF Research chief economist Dr Kamaruddin Mohd Nor said the broad strengthening of US dollar and trade and geopolitical uncertainties in recent months were the major causes of the ringgit’s fall.

“As for the lira, the immediate risk-off mode against emerging

economies is the one that is driving the dollar’s strength. The dollar index has breached its 52-week high and gained five per cent year-to-date.”

Alliance Bank Malaysia Bhd chief economist Manokaran Mottain said the sell-off was due to sentiment and fear.

“We still see the ringgit at RM4.10 against the greenback by year-end, after weakening in the short term,” he said.

Putra Business School senior lecturer Dr Ahmed Razman Abdul Latiff believed the collapse of the lira would not have any long-

CURRENCY PERFORMANCE IN ASIA AS AT 7.15PM YESTERDAY

| Country Spot | Change from Tuesday (%) |
|------------------|-------------------------|
| Hong Kong dollar | 0 |
| Rupee | 0.05 |
| Rupiah | 0.05 |
| Yen | -0.09 |
| Philippine peso | -0.10 |
| Taiwanese dollar | -0.20 |
| Baht | -0.20 |
| Ringgit | -0.20 |
| Singapore dollar | -0.22 |
| Won | -0.37 |
| Renminbi | -0.42 |

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term impact on the ringgit.

He said Malaysia was in a better position to absorb external shocks, with stronger foreign exchange reserves and prudent fiscal and monetary policies.