

Further US rate cuts may benefit ringgit, say economists

KUALA LUMPUR: Further rate cuts by the United States Federal Reserve (Fed) may benefit the ringgit, said economists.

The prospect could also lead to foreign funds making a bigger comeback to Bursa Malaysia, they added.

"The ringgit could strengthen as a result of the Fed deciding to cut interest rates further.

"Those rates, which will no longer be attractive, will lead to

funds flowing to other countries such as Malaysia," said Putra Business School associate professor and manager of business development Dr Ahmed Razman Abdul Latiff.

He said rate cuts, in theory, would help grow the US economy as it promoted domestic spending.

"It will boost the domestic market but imports, on the other hand, will be expensive as the US

dollar will weaken."

This would allow Malaysia to save on import costs while increasing its current account surplus, said Razman.

Some economists expect the US central bank to make two more rate cuts this year — next month and in December.

On Wednesday, the Fed made its first interest rate cut since September 2008.

Bank Islam Malaysia Bhd chief

economist Dr Mohd Afzanizam Abdul Rashid said the latest rate cut was not enough to lift the ringgit.

He said the 25-basis-point (bps) cut and a slightly dovish remark by Fed chairman Jerome Powell seemed to have disappointed the market.

Afzanizam said the ringgit would trade on a weaker bias against the US dollar.

Singapore's OCBC Bank ex-

pects the Fed to make two more 25bps rate cuts this year — next month and in December.

OCBC head of strategy and research Selena Ling said market interpretation was that the cut was a relatively hawkish easing and, hence, the profit-taking in Wall Street and front-end of the US Treasury yield curve as players trimmed bets ahead of future rate cuts. **Farah Adila and Amir Hisyam Rasid**