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Ringgit likely to benefit if OPR remains at 3% as expected



Economy minister Rafizi Ramli said if outflows such as exports which are paid for in US dollars accumulate to a big amount, it will affect the ringgit.

KUALA LUMPUR: The ringgit is expected to trade in positive territory today on anticipation of a pause in the movement of the overnight policy rate (OPR).

Sentiment for the local currency is also likely to improve with a strengthening of the Chinese yuan, analysts said.

Bank Muamalat Malaysia Bhd chief economist and social finance head Afzanizam Rashid expects the ringgit to trade at RM4.64 to RM4.65 to the greenback.

The Bank Negara Malaysia (BNM) Monetary Policy Committee (MPC) is expected to make a decision on the OPR at its two-day meeting starting today. A decision on the OPR is not expected until tomorrow, though.

At its last meeting on May 3, BNM raised the OPR by 25 basis points (bps) to 3%.

Afzanizam said talks of a possible shift in the global monetary stance should also gain momentum going forward.

“Thus far, the purchasing managers index (PMI) from various jurisdictions have shown a weakening trend, indicating that businesses have become guarded in their business outlook,” he told Bernama.

He said manufacturing PMI for Australia, South Korea, Japan and China were lower in June at 48.2, 47.8, 49.8 and 50.5 respectively.

In Malaysia, the PMI index eased to 47.7 in June from 47.8 in May.

SPI Asset Management managing director Stephen Innes said the strengthening of the yuan in recent days, thanks to the intervention by the People’s Bank of China to temper a weakening trend, had also worked in favour of the ringgit.

“Given the strong correlation between the two currencies, the strong yuan encourages local exporters to sell the US dollar to buy the ringgit,” he said.

“Last week, BNM hinted at a possible intervention, namely a rate hike. However, with the yuan and ringgit currently stabilising, a rate hike is unlikely, but they could still use heavier verbal intervention to encourage exporters to sell the US dollar and buy ringgit,” Innes told Bernama.

He added that traders are also navigating China’s services PMI report for June ahead of the US Federal Open Market Committee meeting minutes set to be released later today, noting that any weakness in the China data would be bad for the ringgit.

The ringgit opened at 4.6445/4.6515 versus the greenback compared to 4.6480/4.6525 at yesterday’s close.

It also traded higher against a basket of major currencies, except against the British pound against which it fell to 5.9050/5.9139 from 5.9016/5.9073 at the close yesterday.

It gained vis-a-vis the euro to 5.0560/5.0636 from 5.0654/5.0703 at yesterday’s close and strengthened against the Japanese yen to 3.2153/3.2204 from 3.2184/3.2217 previously.

The local note also traded higher against other Asean currencies.

The ringgit improved versus the Singapore dollar at 3.4419/3.4476 from 3.4458/3.4494 yesterday and rose against the Thai baht to 13.3126/13.3395 from 13.3230/13.3420 yesterday.

It also improved against the Philippine peso to 8.40/8.42 from 8.41/8.42 at the close yesterday and went up against the Indonesian rupiah to 309.7/310.3 from 309.9/310.4 previously.