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'Midterm review unlikely to have big impact on ringgit, equities'

12th MALAYSIA PLAN

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KUALA LUMPUR: The 12th Malaysia Plan (12MP) midterm review, while significant on a national scale, does not create big waves in the stock market or have a substantial effect on the ringgit.

This was because foreign investors remained primarily concerned with the relative attractiveness of local equities, said analysts.

Local investors continue to seek better returns abroad due to the persistent struggles of domestic listed companies.

Malaysia University of Science and Technology economist Dr Geoffrey Williams said the current situation was the same as before the midterm review, adding that there would be no particular effect on the stock market or the ringgit.

He said the 12MP was bad before and would continue to be bad in the future.

"International investors do not really focus on policy announcements unless they are connected to specific stocks. They care about the relative performance of local equities compared with foreign alternatives," he told the *New Straits Times*.

Williams said local investors were predominantly government-linked companies and their investments in local equities were influenced by their strategic asset allocations.

He said they continued to invest overseas due to the poor performance of listed companies on Bursa Malaysia and that this situation had remained the same post-elections.

"The exchange rate policy announcements are not relevant compared with geopolitical issues and actual performance. Investors will wait to see the implementation (of the 12MP) and outcome of the policies."

Bank Muamalat Malaysia Bhd chief economist and social finance head Mohd Afzanizam Abdul Rashid said the midterm review mostly addressed mid- to long-term issues.

He said it would take time to see its impact on the local currency or the stock market.

Afzanizam said the ringgit would continue to hover at between 4.66 and 4.68 versus the greenback.

However, he said the quarterly forecasts released by the United States Federal Reserve after its Sept 19-20 meeting would provide more insight into its future monetary policy direction.

Independent economist Julian Suresh Sundaram said the midterm review would not have an effect on the ringgit as it followed the movement of the US dollar.

However, he said it could be positive for the ringgit in the long term.

"This is because improvements in government finances, such as increased revenues and reduced expenditures, will enhance the attractiveness of local bonds."

"Having good quality growth and managing inflation by improving earning capabilities will help the ringgit strengthen against the greenback."

"But this will all be a moot point if China's economy were to collapse," he added.