

Lacklustre trade awaits Asian currencies in coming weeks

SINGAPORE, Dec 6: Lacklustre trade is expected in Asian currencies in the coming weeks as players wind down activity toward the end of the year and expectations of further US interest rate cuts dissipate, reports AFP.

The regional units' movements against the US dollar in the past week have been capped in a tight range, with the firming of the Japanese yen providing hardly any impetus for the units to rise, dealers and analysts said.

"This state of affairs will continue for the rest of the year. Market activity remains thin as players go away on vacation," said Andy Tan, General Manager of research house Standard and Poor's MMS in Singapore.

Asian stock markets are also unlikely to stage dramatic rallies in the remaining weeks as investors realize a recent surge was heavily dependent on liquidity flow rather than fundamentals, which remained weak, he added.

A surprise concerted interest rate cut by European central banks last Thursday in advance of Monetary Union on January 1 also did little to spur Asian currencies.

"The global responsibility has been taken up by the Europeans, so the US may well put off another rate cut until next year," added Tan.

Rate cuts have been sweeping the globe in a bid to help revive Asian economies trapped by a credit squeeze. There are fears that the crisis now confronting emerging markets, such as Brazil, may leave recovery efforts in the lurch and lead to a worldwide recession.

The US Federal Reserve lowered its benchmark federal funds rate by a quarter of a

point to 4.75 per cent in mid-November, but Asian currencies hardly reacted.

A rise in the yen here to 118.25 last Friday from 122.60 week ago did little to inspire regional units.

The yen was expected to weaken and drag Asian currencies with it following Japan's announcement of a fourth consecutive quarter of economic contraction, but this did not occur, analysts noted.

"It's not that the yen is gaining, but that the dollar is weakening. The focus of attention is more on the dollar," said a dealer with Banque Nationale De Paris here after a slump in

US share prices hit the greenback.

Tan Kee Wee of United Overseas Bank here noted that strong third-quarter economic growth figures in Germany may have discouraged widespread selling of the mark, despite the European interest rate cuts which could have buoyed Asian units such as the Singapore dollar.

The Indonesian rupiah was among the most stable in trade, ending last week in Singapore at 7,520 to the US dollar from 7,500 a week ago.

The past volatility of the rupiah "was suppressed on the back of renewed IMF loans and

rollover of private and public foreign-currency liabilities," ANZ Investment Bank said in a weekend report.

The Thai baht proved its resilience, moving in tandem with the rise of the yen despite negative sentiment on the Bangkok stock market, analysts said. The baht held firm at 36.00 to the US dollar.

Another appreciating currency, the Philippine peso, hit a six-month high last week of 38.80 before settling to close at 39.01. Dollars normally flood the country during Christmas from millions of overseas Filipino workers.



Palestinian passengers enter the Palestinian plane during their trip from Gaza International Airport in Rafah City to Amman Airport in Jordan, Saturday. The first Palestinian commercial flight to Amman took off, inaugurating an air route between Jordan and Palestinian Authority areas.

—AP/UNB photo

Wall Street blue chips close week lower

NEW YORK, Dec 6: Blue-chip stocks on Wall Street fell this week, hammered by profit-taking and investor jitters over planned layoffs in the United States and stumbling blocks in Brazil's economic recovery plan, says AFP.

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