

Ringgit to rebound, KLCI to hit new highs, says Capital Dynamics

Its managing director Tan Teng Boo expects the ringgit to appreciate to between RM4.20 and RM4.40 versus the greenback later this year.

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Capital Dynamics managing director Tan Teng Boo said the depreciation of the ringgit is not new as it has been happening for the past 40 years.

PETALING JAYA: Capital Dynamics managing director Tan Teng Boo says the beleaguered ringgit will rebound and strengthen in 2024 as the economy recovers, and the local equity market will hit new highs in the next few years.

The economist said the ringgit is expected to stabilise between RM4.20 and RM4.40 versus the US dollar later this year on the back of a US economic recession.

He added that the depreciation of the ringgit is not a new thing as it has been happening for the past 40 years.

“If the US market crashes, it’s even better still as the US Fed will ‘splash’ interest rates. But it’s good for us as the ringgit, baht, and yen will start to strengthen.

He also concurred with Bank Negara Malaysia governor Abdul Rasheed Ghaffour's statement today that the ringgit is undervalued, after it slid to a 26-year low.

Based on purchasing power parity (PPP), Tan said the ringgit is undervalued. PPP is a measure of the price of specific goods in different countries and is used to compare the absolute purchasing power of the countries' currencies.

"But undervaluation can go for a long run, not just for the Malaysian currency but also others. The valuation of a currency must be looked at more holistically," he added.

The ringgit slipped past 4.8 against the US dollar last week, the weakest level since January 1998, during the height of the Asian financial crisis.

Tan made a bold prediction that the FBM KLCI will double from its current 1,500-plus points and hit 2,500-3,000 points in the next three to five years.

He argued the local equity market is in "a sweet spot" for a prolonged bull market based on the expected rebound in China's economy as well as improved exports.

"If the US enters into recession, and the Chinese economy is able to recover strongly, then that net balance is positive for the Malaysian economy and our stock market.

He sees a macro tailwind for Malaysia and the KLCI as foreign funds will take advantage of the undervalued ringgit to snap up cheap Malaysian stocks.

Moreover, he added that Malaysia is still attractive to foreign investors as the revenue generated from their investments is usually denominated in US dollars or euro.

"Investors don't really benefit from a cheaper ringgit," he said.

Capital Dynamics is a dedicated fund management and investment advisory firm.



Tan Teng Boo.