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# Ringgit gains on power price rise optimism

**KUALA LUMPUR:** The ringgit (*pic*) climbed the most in five weeks on optimism the first electricity price increase in two years will help rein in the Government's budget deficit. Sovereign bonds retreated.

Tenaga Nasional Bhd, the state-owned power distributor, will raise prices by an average of 15% in Peninsular Malaysia to 38.53 sen per kWh from Jan 1, energy, Green Technology and Water Minister Datuk Seri Maximus Johnity Ongkili said yesterday. The currency was also supported by data from China, Malaysia's biggest export market, showing manufacturing growth beat economists' forecasts.

"The electricity tariff increase is a positive in terms of fiscal improvement," said Saktiandi Supaat, head of foreign-exchange research at Malayan Banking Bhd. in Singapore. There is also "a positive China data story," he said.

The ringgit strengthened 0.5%, the biggest gain since Oct 28, to close at 3.2090 per US dollar in Kuala Lumpur, according to data compiled by *Bloomberg*. It reached 3.2050 earlier, the highest level since Nov 22. One-month implied volatility, a measure of expected

moves in the exchange rate used to price options, climbed three basis points to 8.34%.

Prime Minister Datuk Seri Najib Tun Razak scrapped sugar subsidies in his October budget

and raised gasoline prices in September to shrink the deficit to 3.5% of gross domestic product next year from a 4% target in 2013. His administration will also implement a goods and services tax of 6% in April 2015.

Fitch Ratings lowered the nation's credit-rating outlook to negative from stable in July, citing rising debt levels and a lack of budgetary reform.

The yield on Malaysia's 3.26% sovereign notes due March 2018 advanced one basis point, or 0.01 percentage point, to 3.63%, according to data compiled by *Bloomberg*.

China's Purchasing Managers' Index was 51.4 in November, the National Bureau of Statistics and China Federation of Logistics and Purchasing reported yesterday, exceeding 24 out of 26 estimates in a *Bloomberg News* survey. A separate gauge from HSBC Holdings Plc and Markit Economics yesterday was at 50.8, topping all 13 analysts' projections. Numbers above 50 signal expansion. - *Bloomberg*

