

# MAS to let currency become even stronger to

## Show of strength

S\$ per US\$



pore trade weighted index (TWI) has risen 0.6 per cent since Dec 23 or 24.

Inflation has gone up in recent months, and "I think that between now and the MAS meeting in April, the Singapore TWI may continue appreciating at this kind of pace", said the bank's director of foreign exchange strategy in Asia Olivier Desbarres.

It is not just the Sing dollar that could rise against the US dollar on the back of higher inflation. Market

watchers have also identified the Chinese yuan as an inflation play this year. For instance, RBS Coutts projects a 5-7 per cent strengthening of the yuan this year.

Other developments in the US and around the world have caused the US dollar to weaken, narrowing its gap with the Sing dollar.

The return of risk appetite - partly due to signs that the European Union could be doing more to con-

trol the sovereign debt crisis - could have encouraged investors to seek

"Typically, when risk appetite is healthy, you see money flowing out of the market to the 'risk' trade," Desbarres said.

The sustained strength in the dollar looks for the future. The MAS has also capped the greenback for the greenback in the US, particularly in the context of employment, but it is strong enough to be worth the Federal Reserve's short-term QEII, he added.

The local market's reaction to the rising Sing dollar will be mixed, depending on whether the foreign import products

"Some market participants have hedged the Sing dollar's strength against the Singapore Manu dollar's appreciation since Gwee Seng's visit. It is better for the market to be less volatile and will be difficult to plan ahead