

# Don't worry about S\$ falling against US\$

**Focus on its relative stability and the low interest rates, says bank treasury head**

*By Siow Li Sen*

INVESTORS should focus on the low domestic interest rates and the relative stability of the Singapore dollar against a trade-weighted basket of currencies, instead of being caught up in how low the Singapore dollar has gone against the US dollar, said Gerard Lyons, global head of treasury research at Standard Chartered Bank.

"In Singapore, the likelihood is that interest rates will remain very low throughout this calendar year; in fact, they can even go lower by year-end," he told BT.

Giving his take on the economic situation, Dr Lyons, who is based in London, said given that inflation here is not a problem, and with surplus liquidity and the Monetary Authority of Singapore (MAS) managing currency stability, currency is not the key issue.

The MAS manages the Sing dollar against a basket of currencies of its major trading partners. In the event that the region's currencies depreciate sharply, the MAS usually loosens up to allow for downward adjustment of the Sing dollar.

"I think the key issue here is to expect low interest rates for the rest of the year and whether it's 1.71 or 1.75, the currency is not the key message. The key message is that domestic interest rates will

remain very low," he said.

Dr Lyons is in Singapore this week on one of his regular visits to the bank's treasury unit here.

The Singapore dollar has been weakening against the US dollar for some time now and this week, has gone below S\$1.74, the lowest in 16 months, dragged down by the overall fall in regional currencies.

"Basically, it follows exactly from the situation that regional currencies are soft, international investors are risk averse. In that environment, the Sing dollar is a natural casualty," he said.

Over the next three months, he expects the Sing dollar to remain around S\$1.76 to the US dollar and his original forecast at the beginning of the year that the Sing dollar would end the year higher at S\$1.65 is off the mark.

"(But) the important thing is to send the signal to investors that for now, the Sing dollar is going to be broadly unchanged for the foreseeable future, particularly if Indonesia sinks, Thailand and Philippines have problems."

While traders are fixated with currency levels, the MAS is focusing on the trade-weighted index and the maintenance of the relative stability of the Sing dollar.

He sees the MAS maintaining currency competitiveness but there are potential problems ahead for the US dollar and people should be prepared for that.

"It is wrong to think the US dollar is continually going to appreciate," he said.