

NT dollar reaches one-month high against greenback

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The NT dollar hit a fresh one-month high yesterday against the US dollar amid market speculation that rising inflation will allow the local currency to appreciate further, a local currency trader said.

As the discount on one-month offshore US dollar non-deliverable forward (NDF) contracts continued expanding to NT\$0.13 from NT\$0.12 on Wednesday, the NT dollar still gained support in the short term as traders were short on the greenback, said the trader, who declined to be named.

The NT dollar rose NT\$0.119, or 0.39 percent, to close at NT\$30.38, its highest since April 25 when the unit reached NT\$30.340, Taipei Forex Inc tallies showed.

Turnover was US\$1.114 billion on the Taipei Forex Inc for the day. Including turnover at the smaller Yuantai Foreign Exchange Inc, total transactions reached US\$1.573 billion in Taipei trading, down from US\$1.915 billion the previous day.

“The market is expecting a gradual appreciation of NT dollar and another interest rate hike rate next month by the central bank to contain inflation, after the new government announced to abolish price controls at the state-owned refinery and utility companies,” the trader said.

But, as the average daily turnover in local foreign exchange markets was less than US\$2 billion in the past few days, the strength of the NT dollar’s appreciation will be mild in the short term while foreign investors continued offloading local shares, he said.

The local currency was likely to trade in a narrow range between NT\$30.3 and NT\$30.5, he said.