1. letter of transmittal

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4a

At the beginning of this century, Malaysia's exchange rate system was pegged to the exchange rate system, which was often used by small economies; The exchange rate under this system is relatively fixed, and the exchange rate of local currency and some foreign currencies remains relatively fixed, fluctuating up and down within an acceptable range.

After 2005, Malaysia's exchange rate system became a managed floating exchange rate system with reference to a basket of currencies; Domestic monetary authorities should intervene in the foreign exchange market to a certain extent to maintain the stability of the foreign exchange market and make the market exchange rate conducive to the development of domestic economy.

Malaysia ringgit has also faced a currency crisis. The most recent currency crisis occurred in 2015. In fact, the most famous Asian financial crisis in 1998 also had a great impact on Malaysia;

In 2015, due to the fluctuation of the exchange rate of RMB against the US dollar, the exchange rate of ringgit against the US dollar exceeded 4, that is, 1 US dollar can be exchanged for more than 4 ringgit; This led to a sharp sell-off of Malaysian assets by international investors. Although the Malaysian government does not apply capital controls to maintain economic stability, it is not impossible for the government to adopt capital controls if foreign exchange reserves continue to decline. The market panic mainly comes from the fact that international investors hold a large number of government bonds. If the market is turbulent, the bond price will be greatly affected.(1)

4b

1. The continuous decline of oil price has led to the continuous depreciation of ringgit and reduced the enthusiasm for foreign investment;

2. Malaysia's total population is small, so it is not suitable for investment in labor-intensive industries; In addition, the wage level in Malaysia is also high in neighboring countries. If you invest in Malaysia, it is easy to have the problem of high employment cost; In recent years, the Malaysian government has promulgated a new tax system, adding a 6% consumption tax; The tax object is imported products and services.

3. Compared with other countries in Southeast Asia, Malaysia has lower political risk because there are no securities changes, social riots, religious problems, etc; The potential political risks mainly come from the outside, such as the intervention of the United States; In addition, drugs are also a major problem in Malaysia.

4. Malaysia is a typical Muslim country. People pay attention to rituals and lack the concept of time. Generally speaking, Malaysia has a slow pace of life and lacks a sense of competition and crisis, which is not conducive to good investment.(2)

4c

The types of foreign investment are mainly divided into direct investment and securities investment. Here we introduce direct investment; As the name suggests, foreign direct investment refers to investors directly establishing companies abroad or acquiring the equity of local companies, while foreign securities investment refers to the purchase of financial assets in foreign financial markets, such as stocks and bonds.

There are many types of foreign direct investment. For example, enterprises producing mobile phones can set up parts processing abroad and enjoy the benefits of cheap labor abroad; For example, food companies can set up processing plants abroad to facilitate the import and export of goods;

If the investor establishes a new company abroad, we call it green investment; In addition, investors can contribute to the purchase of equity of foreign companies to achieve the purpose of controlling enterprises.

From the perspective of Malaysia, Malaysia's labor force is not intensive enough, so it is not suitable for the development of labor-intensive industries; More suitable for investment in Malaysia include infrastructure, network, communication, etc. these projects can enjoy the advantage of low cost in Malaysia.

We can also analyze the key cities in Malaysia, mainly Kuala Lumpur, Penang and Johor; I think Collaway can choose these cities and industries to invest.(3)

4d

There are many derivatives related to foreign exchange. Here we can introduce options; We generally know that options are used to buy and sell stocks or bulk commodities. Option buyers have only rights but no obligations, and option sellers have only obligations but no rights;

Options are mainly divided into call options and put options. According to the different exercise time, they are also divided into European options and American options; Because American options can be exercised at any time before the expiration date, which gives the option buyer great flexibility, the price of American options is also more expensive.

The use of options in the foreign exchange market is to change the trading object into currency. For example, for Collaway's investment in Malaysia, because the trend of Malaysian ringgit has been depressed in recent years, he is very worried that the depreciation of Malaysian ringgit will have a negative impact on its investment income in the future; Therefore, he can buy the put option on ringgit. When the exchange rate of ringgit against the Australian dollar begins to depreciate, he can exercise the put option and sell ringgit at a better exchange rate. In this way, he can obtain a certain exchange rate gain and reduce the loss of spot exchange.(4)

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