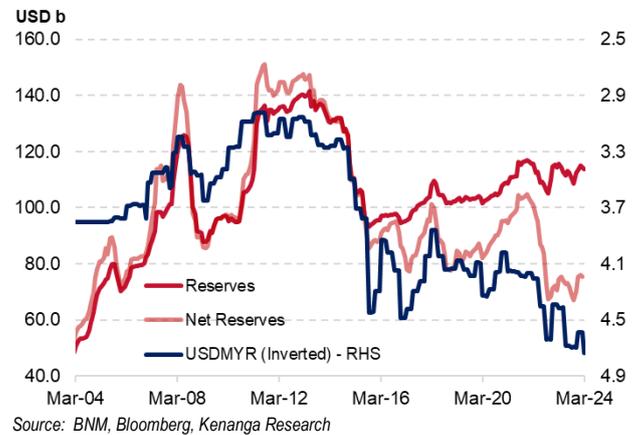


# BNM International Reserves

March sees USD0.5b drop in FX reserves amid stronger greenback

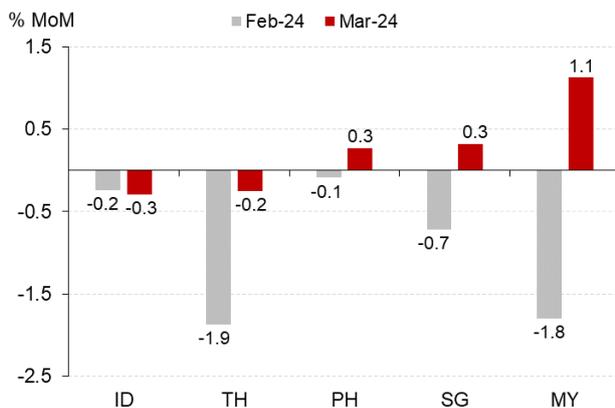
- Bank Negara Malaysia (BNM) international reserves depleted further by USD0.5b or -0.4% MoM to a three-month low of RM113.8b as of 29 March 2024**
  - Sufficient to finance 5.6 months of imports of goods and services (previously retained imports: 7.0 months) and is 1.0 time total short-term external debt.
- BNM's rise in gold holdings fails to offset FX reserves dip**
  - Foreign currency reserves (-USD0.5b or -0.5% MoM to USD101.3b): fell for the second consecutive month, potentially due to a decrease in the converted value of non-USD assets, BNM's FX intervention and capital market outflows.
  - Gold (+USD0.2b or 8.1% MoM to USD2.7b): largest holdings on record as gold price surged by 9.8% MoM to USD2,229.9/troy ounce, driven by a risk-off impulse.
  - Meanwhile, special drawing rights, other reserve assets and IMF reserve positions remained relatively unchanged.
- In ringgit terms, the value of BNM reserves hit a record high of RM539.0b (+RM5.7b or 2.8% MoM)**
  - USDMYR monthly average (4.72; Feb: 4.77): appreciated as top ASEAN-5 performer in March, fuelled by net foreign bond inflows amid a robust macro landscape, notably better-than-expected IPI figures and a stable inflation rate. The ringgit found further support from continued efforts by the government and BNM to bolster the local note. Furthermore, a marginally weaker USD index (average March: 103.7; Feb: 104.1), coupled with robust economic readings from China, has also helped strengthen the ringgit.
  - Regional currencies: trailing the robust ringgit's performance (1.1%), the SGD (0.3%) and PHP (0.3%) also strengthened against the USD. This was partly attributed to a temporary resurgence in demand for risk-on assets due to Fed Powell's dovish testimony. However, the IDR weakened by 0.3% against the USD, partly due to a sharp contraction in its trade surplus. The THB (-0.2%) also depreciated, on expectation of Bank of Thailand rate cut in April amid continued deflationary trend and weak domestic consumption.
- Benign inflation rates and robust GDP growth outlook may keep the BNM in a holding pattern**
  - The BNM may opt to maintain its neutral monetary policy stance for the time being, holding the overnight policy rate unchanged at 3.00% throughout the year, barring any unforeseen circumstances. This is mainly driven by our expectation of an average core inflation rate around 2.0% and robust GDP growth ranging from 4.5% - 5.0% in 2024.
  - USDMYR year-end forecast (4.42; 2023: 4.59): While a soft landing for the US economy appears more likely now, we still anticipate a cut in June. Such expectation is based on continued US disinflation due to dwindling consumer savings and emerging signs of a cooling job market. This could reduce demand for the USD and boost interest in risk-on currencies, particularly the ringgit, in line with our expectation of BNM's status quo. Furthermore, potential further tightening by the BoJ in 2H24 and China's economic recovery may further weaken the USD. This could lead to the ringgit strengthening to below the 4.50/USD level by the end of 2024.

Graph 1: BNM's International Reserves



Source: BNM, Bloomberg, Kenanga Research

Graph 2: ASEAN-5 Currencies (monthly average)



Source: BNM, CEIC, Kenanga Research

Graph 3: 10-Year US Treasury vs. MGS Yield



Source: Bloomberg, Kenanga Research

08 April 2024

**Table 1: Latest Update and Historical Milestone for BNM Reserves**

		RM bil	Change from previous month	USDMYR	US bil	Change from previous month	Months of retained	Times of ST
	Month	O/stand.	RM bil	End Period	O/stand .	US bil	Imports.	Debt
Pre crisis high	Jan-94	89.99	13.51	2.7598	32.61	4.29	na	na
Start of Asian Financial Crisis (AFC)	Apr-97	70.93	-1.26	2.5110	28.25	-0.87	na	na
Reserves at its lowest in USD term	Nov-97	61.30	-0.40	3.5022	<b>17.50</b>	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	<b>4.3990</b>	20.25	-1.46	3.2	na
Govt imposed capital control and pegged ringgit at 3.80 to USD	Sep-98	81.51	23.6	3.8000	21.45	1.22	4.4	na
USDMYR peg removed	Jul-05	297.17	13.07	3.7978	78.25	3.48	9.0	7.6
Highest level post USDMYR de-peg (before GFC)	Jun-08	410.87	10.73	3.2665	125.78	0.59	10.0	5.1
Biggest single month decline in USD-terms	Sep-08	379.35	-20.83	3.4567	109.75	<b>-12.84</b>	9.0	4.1
Lowest level during the Global Financial Crisis	May-09	322.47	2.07	3.6513	88.32	0.59	8.3	3.8
Highest Level (in USD term)	May-13	436.80	3.52	3.0884	<b>141.43</b>	1.12	9.5	4.3
Highest Level (in MYR term)	Mar-24	<b>538.97</b>	14.53	4.7361	113.80	-0.48	5.6**	1.0
End-2020	Dec-20	432.37	8.28*	4.0170	107.64	4.02*	8.6	1.2
End-2021	Dec-21	486.85	54.47*	4.1650	116.89	9.25*	7.7	1.2
End-2022	Dec-22	503.33	16.48*	4.3900	114.65	-2.24*	5.2**	1.0
End-2023	Dec-23	520.75	17.42*	4.5890	113.48	-1.18*	5.4**	1.0
<b>Latest release</b>	<b>Mar-24</b>	<b>538.97</b>	<b>14.53</b>	<b>4.7361</b>	<b>113.80</b>	<b>-0.48</b>	<b>5.6**</b>	<b>1.0</b>

Source: Dept. of Statistics, Kenanga Research, CEIC, Bloomberg

\*: Change from the preceding year

\*\*: Imports of goods and services (effective from 22 February 2022)

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