

# BNM International Reserves

Up 2.5% MoM in September, hitting near-decade high on FX revaluation gains

- Bank Negara Malaysia (BNM) international reserves rose by USD2.9b or 2.5% MoM, reaching USD119.7b as of 30 Sep 2024—the highest level since Nov 2014**

- However, despite the notable increase, reserve adequacy in terms of import coverage fell significantly to 4.8 months (Aug: 5.4 months), driven by a sharp rise in imports. Additionally, the reserves now cover only 0.9 time the total short-term external debt, falling below the IMF’s recommended minimum adequacy ratio of 1.0.

- The rise in reserves was primarily driven by a sharp increase in foreign currency reserves, gold, and special drawing rights, bolstered by FX revaluation gains**

- Foreign currency reserves (+USD2.3b or 2.2% MoM to USD106.8b): largest holdings since November 2014, supported by continued inflows into the capital market, along with quarterly revaluation gains. Notably, BNM’s net FX reserves rose for the fourth straight month to USD61.2b in August (Jul: USD59.3b).

- Gold (+0.4b or 13.7% MoM to USD3.3b): highest on record, driven by a 13.3% QoQ rise in gold prices amid increased safe-haven demand.

- Other reserve assets and IMF reserve positions remained relatively unchanged.

- In ringgit terms, the value of BNM’s reserves fell sharply to RM491.6b (-RM58.8b or -10.7% MoM), largely due to a stronger ringgit incorporated in the quarterly revaluation**

- USDMYR monthly average (4.27; Aug: 4.42): The ringgit has built on last month’s gains, reaching its strongest average level since March 2022. Initially, the currency was trading weak between 4.30 and 4.37 against the USD, as the August jobs report failed to convince the market of a 50 bps cut. However, the Fed’s unexpected decision to still implement a 50 bps reduction on Sep 18, along with China’s expansive stimulus measures, pushed the ringgit to as strong as 4.12/USD last week. This strength has been further supported by encouraging domestic macro indicators and BNM’s decision to maintain its current policy stance.

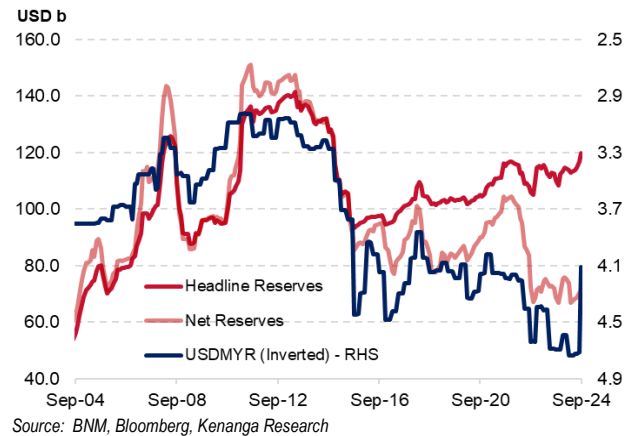
- Regional currencies: Other ASEAN-5 currencies similarly capitalised on the Fed’s rate cut and China’s economic stimulus, with the THB leading the pack with a 4.3% gain, followed by the MYR (3.5%), IDR (2.8%), PHP (1.6%), and SGD (1.5%). Asian currencies benefited from a risk-on sentiment ignited by these developments, with the USD index falling to an average of 101.0 in September (Aug: 102.2), marking its lowest level since April 2022.

- BNM to hold steady amid muted inflation and solid growth prospects**

- With inflation pressures subdued and the economic outlook stable, BNM is likely to keep the overnight policy rate unchanged for the next 12 to 15 months. However, fiscal policy shifts and external risks, such as geopolitical tensions, could still influence the central bank’s stance.

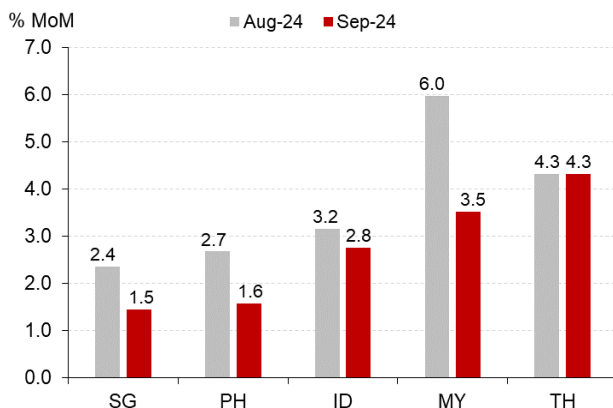
- USDMYR year-end forecast (4.25; 2023: 4.59): We recently revised our end-2024 USDMYR target back to 4.25/USD from 4.42/USD, supported by Malaysia’s favourable yield differentials, Fed’s rate cuts, and China’s economic recovery. As anticipated, the market has adjusted its expectations, now only pricing in two 25 bps cuts this year, following stronger-than-expected September labour data. While domestic fundamentals should continue to underpin the ringgit, we remain vigilant of external risks, particularly the prospect of a sharper US economic downturn, election-related uncertainties, and geopolitical tensions.

Graph 1: BNM’s International Reserves



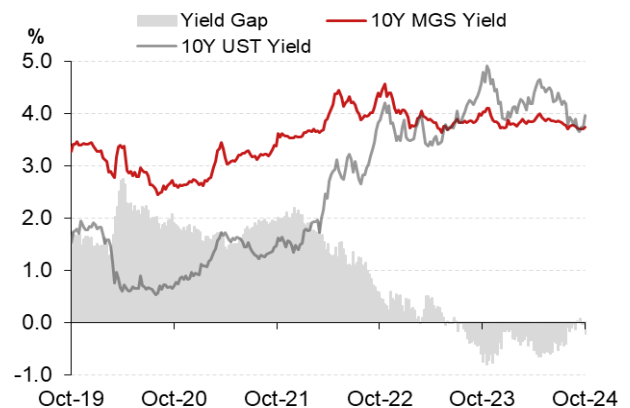
Source: BNM, Bloomberg, Kenanga Research

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 October 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)	Aug-24	<b>550.45</b>	9.19	4.7128	116.80	2.14	5.4**	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>Sep-24</b>	<b>491.63</b>	<b>58.82</b>	<b>4.1072</b>	<b>119.70</b>	<b>2.92</b>	<b>4.8**</b>	<b>0.9</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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