BNM International Reserves

November up 0.6% MoM, buoyed by FX reserves rebound

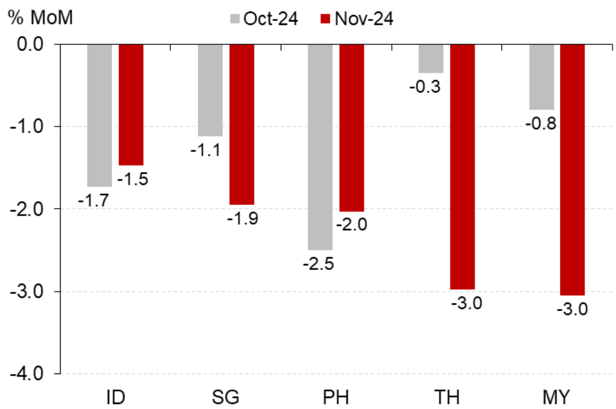
- **Bank Negara Malaysia (BNM) international reserves rose by USD0.7b or 0.6% MoM, reaching USD118.3b as of 29 November 2024**
  - Despite the uptick, reserve adequacy slipped, with import coverage falling to 4.6 months (Oct: 4.8 months), driven by rising imports. Similarly, the reserves now cover only 0.9 time the total short-term external debt.
- **The increase was led by a rebound in foreign currency reserves, though tempered by marginal declines in special drawing rights (SDRs) and other reserve assets**
  - Foreign currency reserves (+USD0.8b or +0.8% MoM to USD105.4b): recovered modestly after a sharp USD2.2b drop in October. The improvement likely reflects stronger FDI inflows and a slower pace of capital outflows from the debt market (around RM1.0b). However, as expected, BNM's net FX reserves reversed its five-month rising trend, falling to USD63.4b in October (Sep: USD65.3b), due to larger short positions possibly due to heightened intervention.
  - SDRs and other reserve assets recorded marginal declines of USD0.1b, while gold holdings and IMF reserve position remained largely stable.

Graph 1: BNM's International Reserves

Source: BNM, Bloomberg, Kenanga Research

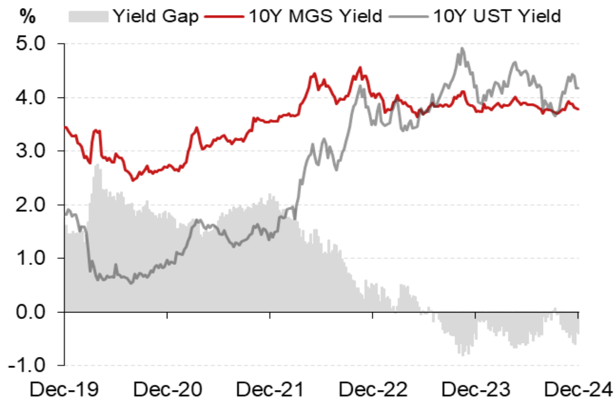
- **In ringgit terms, BNM's reserves rose marginally to RM486.2b (+RM3.4b or +0.7% MoM) in November**
  - USDMYR monthly average (4.43; Oct: 4.30): After emerging as the world's best-performing currency in August, the ringgit reversed course, becoming one of Asia's worst performers in November. The shift was largely attributed to the outcome of the US election, which saw Trump's return alongside a Republican trifecta, propelling the USD Index (DXY) above 107.0. The negative yield differential between the 10-year MGS and UST widened to an average of -49.3 bps in November (Oct: -27.9 bps), adding further pressure on the ringgit. Diverging monetary policies between the US and the eurozone, and Trump's renewed tariff rhetoric also bolstered the DXY, undermining the ringgit.
  - Regional currencies: The stronger DXY in November (average: 105.9; Oct: 103.3) weighed heavily on ASEAN-5 currencies, marking their second consecutive month of depreciation. The MYR (-3.0%) led the declines, followed by the THB (-3.0%), PHP (-2.0%), SGD (-1.9%), and IDR (-1.5%). The slide was exacerbated by a weakening CNY (-1.4%), as Beijing's latest stimulus measures fell short of expectations.
- **Monetary policy set for stability despite growing uncertainty in 2025**
  - Despite potential tariffs and geopolitical tensions in 2025 that could stoke inflation and dampen growth, BNM is expected to maintain the overnight policy rate at 3.00% over the next 9-12 months as domestic fundamentals suggest that the current rate strikes a balance between preserving price stability and supporting economic activity.
  - USDMYR year-end forecast (4.57; 2023: 4.59): While robust macro prospects and the government's commitment to fiscal consolidation offer the ringgit with a buffer against sharp depreciation, we remain cautious and expect the ringgit to weaken further as the year concludes. Key risks include a slower-than-expected pace of Fed rate cuts, imminent Trump presidency, rising geopolitical tensions, and China's sluggish economic recovery, all of which could weigh on sentiment and pressure risk-on currencies. Even with the USD's typical softness (having weakened against the ringgit in seven of the past ten Decembers), these headwinds could limit any seasonal reprieve.

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

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	**17.50**	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	**4.3990**	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	**-12.84**	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	**141.43**	1.12	9.5	4.3
Highest Level (in MYR term)	Aug-24	**550.45**	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
Latest release	**Nov-24**	**486.23**	**3.41**	**4.1101**	**118.30**	**0.71**	**4.6****	**0.9**

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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