

BNM International Reserves

Edged higher by USD0.2b in January amid improving trade conditions

- **Bank Negara Malaysia (BNM) international reserves rose marginally by USD0.2b or 0.2% MoM, reaching USD116.4b as of 31 January 2025**

- Given the modest increase, reserve adequacy remains unchanged, with import coverage holding at 5.0 months and full coverage of total short-term external debt (1.0x).

- **The marginal increase was driven by a slight uptick in FX holdings, gold, and other reserve assets**

- **Foreign currency reserves** (+USD0.1b or +0.05% MoM to USD103.8b): edged higher despite sustained capital outflows, likely supported by a strong trade surplus and robust FDI inflows. Notably, BNM’s net FX reserves held steady at USD63.9b in December, though short positions widened to USD29.3b (Nov: USD27.7b).
- **Other reserve assets and gold** saw modest gains of USD0.1b and USD0.05b respectively, while special drawing rights and the IMF reserve position remained largely unchanged.

- **In ringgit terms, BNM’s reserves edged up to RM520.9b (+RM0.7b or +0.1% MoM) in January, a five-month high**

- **USDMYR monthly average** (4.47; Dec: 4.46): The ringgit traded steadily around 4.50/USD in the first three weeks of the year as markets positioned for a stronger USD ahead of Trump’s return to power. The USD index (DXY) found support from robust US economic data, including strong nonfarm payrolls, though softer inflation readings muddled the outlook. The ringgit then rallied sharply below 4.40/USD as Trump’s first-day policies failed to deliver immediate universal tariffs, triggering a positioning squeeze. Gains were further supported by resilient external data, stable inflation, and BNM’s steady policy stance. However, the ringgit weakened again on the last trading day as renewed tariff threats on Mexico and Canada halted the USD’s decline.

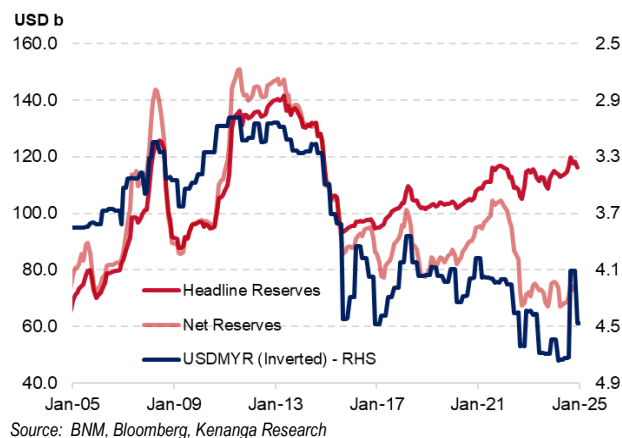
- **Regional currencies:** A stronger DXY in January (average: 108.6; Dec: 107.2), driven by positioning ahead of Trump’s inauguration, weighed on ASEAN-5 currencies. The IDR (-1.2%) led losses, followed by SGD (-0.8%), THB (-0.3%), MYR (-0.1%), and PHP (-0.04%). Risk-sensitive currencies also came under pressure as the 10-year US Treasury yield climbed (average: 4.62%; Dec: 4.40%) on expectations that tariff risks could delay Fed rate cuts.

- **BNM to hold steady in 2025 as global uncertainty looms**

- **Monetary Policy Outlook:** BNM is expected to keep the overnight policy rate at 3.00% throughout 2025, balancing growth support with inflation control. While domestic fundamentals remain solid, global risks—Trump’s escalating tariff war and ongoing geopolitical tensions—warrant caution. A steady policy stance should anchor fiscal reforms and curb inflation risks without derailing growth.

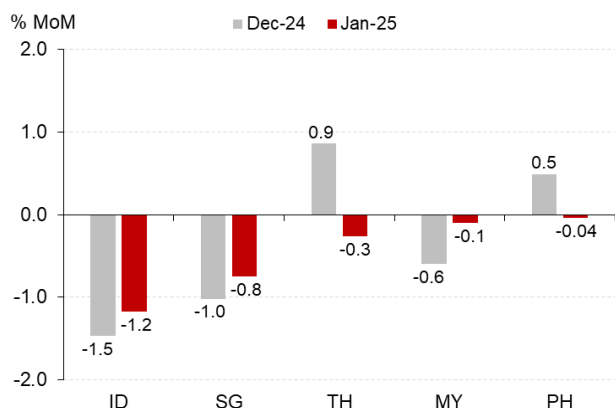
- **USDMYR year-end forecast (4.45; 2024: 4.47):** Despite recent stability below 4.50/USD, the ringgit remains on a volatile trajectory as Trump’s trade policies take shape. Markets largely view tariffs as a bargaining tool rather than a structural shift, a view we share. However, the US-China standoff is the key risk. A prolonged impasse could drive safe haven flows into the USD, keeping it supported in the near term. Additional reciprocal tariffs on multiple countries, possibly this week, could stoke US inflation and delay Fed rate cuts, and further strengthen the greenback.

Graph 1: BNM’s International Reserves



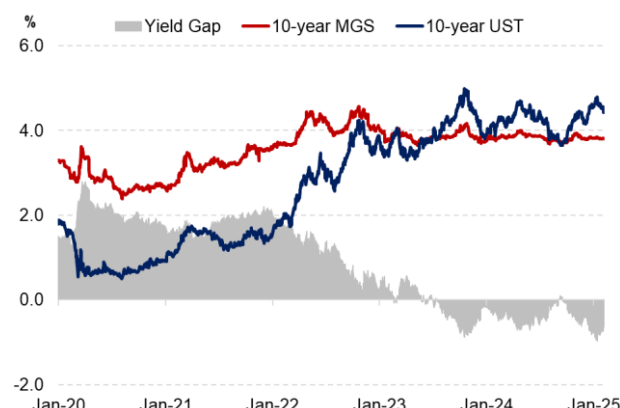
Source: BNM, Bloomberg, Kenanga Research

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

10 February 2025

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-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
End-2024	Dec-24	520.16	2.75*	4.4764	116.20	-0.71*	5.0**	1.0
Latest release	Jan-25	520.90	0.74	4.4751	116.40	0.18	5.0**	1.0

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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