

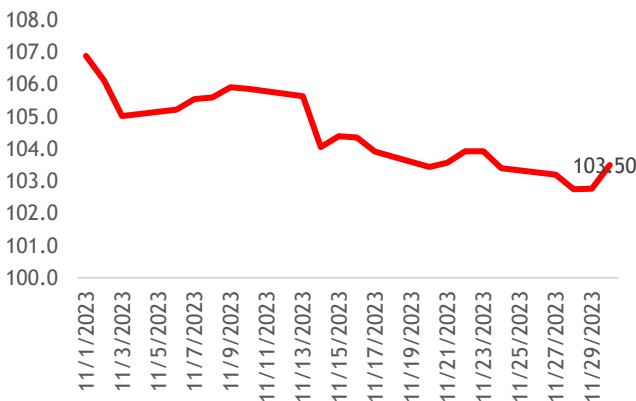
CURRENCY | Nov-23 Monthly Currency Review

Ringgit Appreciated in Nov-23

- *The US dollar plunged against major currencies in Nov-23 as the DXY index declined by -3.0%mom to end the month at 103.50 (end-Oct-23: 106.66). The dollar was on a broadly depreciating trend throughout the month, trending lower from the peak 106.88 on the first day of the month. Growth fundamentals were not supportive of the dollar as economic releases indicated cooling inflation, easing tightness in the labour market, sluggish manufacturing sector activity and slowing domestic demand. We foresee the dollar to depreciate further towards the end of the year even without the pause confirmation by the Fed as sentiment in the market has shifted towards possible rate cuts by mid-2024..*
- *The Malaysian ringgit appreciated +2.2%mom to RM4.661 as the dollar weakened. Based on the monthly average, the ringgit appreciated +1.3%mom to RM4.688. The ringgit marked its intra-month high on 6th Nov-23 at RM4.637, the strongest level since mid-Aug-23. However, Fed officials' still hawkish signals and the mixed China's economic data later dampened the ringgit rally. We opine the ringgit will benefit from the reversal of fund flows back into EMs as the demand for the dollar recedes and is further supported by the recovery in regional trade as China's economy continues to recover.*
- *We revise our year-end target for 2023 to RM4.45. We continue to expect ringgit will appreciate towards year-end, however, given the series of external developments keeping ringgit from strengthening further, we revise our year-end target from RM4.30 to RM4.45 (for 2024 outlook please refer to our 2024 Outlook report).*

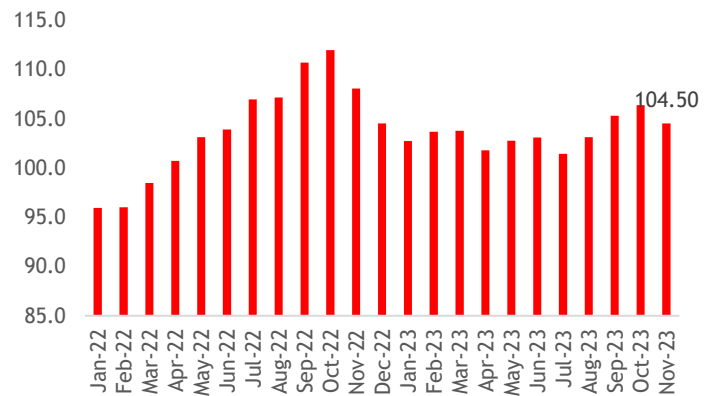
The US dollar slid against major currencies. The US dollar plunged against major currencies in Nov-23 as the DXY index declined by -3.0%mom to end the month at 103.50 (end-Oct-23: 106.66). The monthly average saw the dollar weakened by -1.7%mom to 3-month low of 104.50. The dollar was on a broadly depreciating trend throughout the month, trending lower from the peak 106.88 on the first day of the month. Growth fundamentals were not supportive of the dollar as economic releases indicated cooling inflation, easing tightness in the labour market, sluggish manufacturing sector activity and slowing domestic demand. Additionally, the approval of temporary funding on 15 Nov-23 pushes the decision on the federal budget into the new year, ending the threat of a government shutdown this year. Globally, the risk from the geopolitical conflict in the Middle East also subsided, despite the ongoing war. There is an overwhelming expectation that the Fed is done with its tightening cycle, therefore the fed funds rate is expected to remain status quo even beyond the FOMC meeting in Dec-23. We foresee the dollar to depreciate further towards the end of the year even without the pause confirmation by the Fed as sentiment in the market has shifted towards possible rate cuts by mid-2024. Understandably, the Fed still maintained its hawkish tone to ensure inflation will continue to ease, and this will cause demand for the dollar to remain sticky.

Chart 1: Movement of DXY Index in Nov-23



Source: Bloomberg, MIDFR

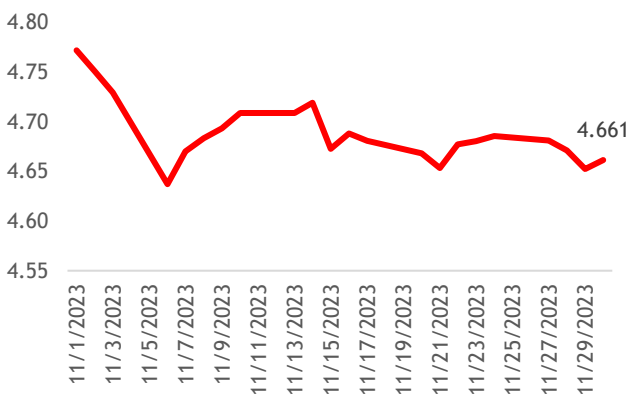
Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

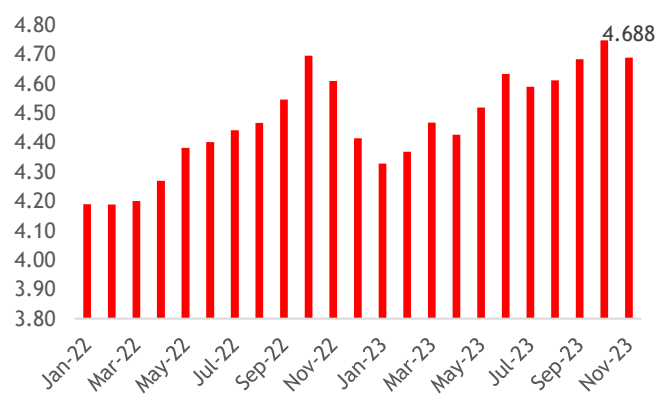
The ringgit is back on an appreciating trend. The Malaysian ringgit appreciated +2.2%mom to RM4.661 as the dollar weakened. Based on the monthly average, the ringgit appreciated +1.3%mom to RM4.688. The ringgit marked its intra-month high on 6th Nov-23 at RM4.637, the strongest level since mid-Aug-23. However, Fed officials' still hawkish signals and the mixed China's economic data later dampened the ringgit rally. Despite a promising domestic demand outlook, the still lukewarm manufacturing sector performance in China remained a drag on the regional trade outlook. Additionally, the movement in commodity prices was also unfavourable towards the ringgit as the Brent crude oil prices declined -5.2%mom to USD82.83pb (or contracted by -7.5%mom on average to USD82.03pb). Despite the external challenges, we believe the ringgit is on track to appreciate further towards year-end as the Fed is expected to end its tightening cycle. We opine the ringgit will benefit from the reversal of fund flows back into EMs as the demand for the dollar recedes and is further supported by the recovery in regional trade as China's economy continues to recover.

Chart 3: USDMYR (RM) Movement in Nov-23



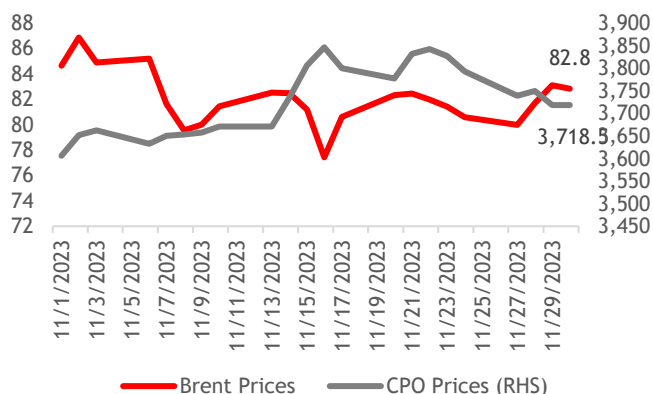
Source: Bloomberg, MIDFR

Chart 4: USDMYR (RM) Monthly Average



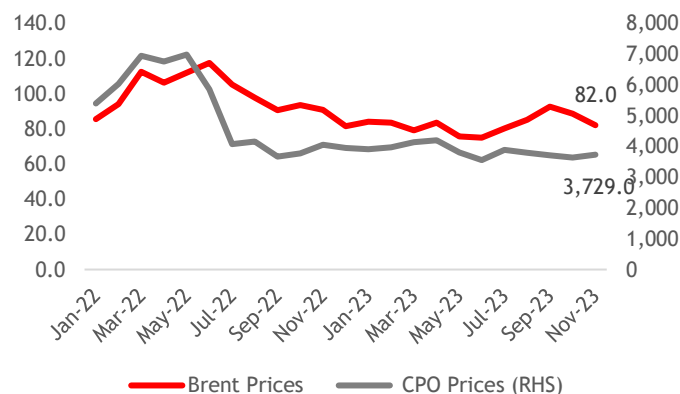
Source: Bloomberg, MIDFR

Chart 5: Brent Crude Oil (USD) and Crude Palm Oil (RM) Prices Movement



Source: Bloomberg, MIDFR

Chart 6: Brent Crude Oil (USD) and Crude Palm Oil (RM) Monthly Average Prices



Source: Bloomberg, MIDFR

The ringgit extended its depreciation against the euro and pound. The ringgit depreciated against the euro and pound by -0.2%mom and -1.5%mom, respectively, in Nov-23. On average, the ringgit depreciated against the euro and pound by -1.0%mom and -0.7%mom, respectively. Ringgit weakened against the euro and pound despite the continued recession woes in the Euro area and the subsiding inflationary pressure in the UK. Ringgit also ended the month weaker than the Chinese yuan (-0.3%mom) and Australian dollar (-1.6%mom) but appreciated against the Canadian dollar (+0.6%mom). Similarly, on a monthly average, the ringgit performed worst against Chinese yuan (-0.1%mom) and Australian dollar (-1.0%mom) but appreciated against the Canadian dollar (+1.4%mom).

Table 1: Selected Currencies to MYR MoM Change

	End Period			Average		
	Nov-23	Oct-23	% Change	Nov-23	Oct-23	% Change
EURMYR	5.093	5.082	-0.2%	5.064	5.015	-1.0%
GBPMYR	5.898	5.807	-1.5%	5.819	5.777	-0.7%
CNYMYR	0.653	0.651	-0.3%	0.649	0.649	-0.1%
AUDMYR	3.084	3.034	-1.6%	3.044	3.015	-1.0%
CADMYR	3.427	3.448	+0.6%	3.416	3.465	+1.4%

Source: Bloomberg, MIDFR

Ringgit remains among the worst-performing currencies against the USD for the year. Until end- Nov-23, ringgit depreciated by -5.5%ytd against the US dollar, the second worst-performing currency against the greenback after the Japanese yen, which depreciated -11.5%ytd. This is in contrast to the Philippines peso (+0.5%ytd), the Singaporean dollar (+0.2%ytd) and the Indonesian rupiah (+0.4%ytd). Against the previous month, despite appreciating by +2.2%mom, the ringgit was outpaced by most of its regional peers, only performing better than the Vietnamese dong (+1.3%mom) and the Indian rupee (-0.1%mom).

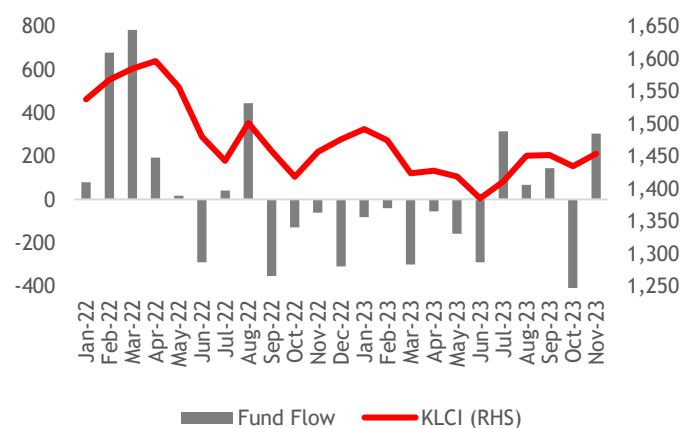
Table 2: Yearly Average of Selected Currencies to the USD

	2019	2020	2021	2022	2023 (YTD)	YTD Change	MoM Change in Nov-23
DXY	97.40	95.82	92.51	104.00	103.50	-0.0%	-3.0%
EURUSD	1.119	1.142	1.183	1.053	1.081	+1.7%	+3.0%
GBPUSD	1.277	1.284	1.376	1.237	1.242	+4.5%	+3.9%
USDJPY	109.03	106.77	109.85	131.55	140.29	-11.5%	+2.3%
USDAUD	1.439	1.453	1.332	1.442	1.507	-3.0%	+4.2%
USDCAD	1.327	1.341	1.254	1.302	1.350	-0.1%	+2.3%
USDPHP	51.79	49.61	49.29	54.53	55.64	+0.5%	+2.2%
USDTHB	31.05	31.29	32.00	35.06	34.79	-2.0%	+2.3%
USDSGD	1.364	1.379	1.344	1.379	1.344	+0.2%	+2.4%
USIDR	14,144	14,543	14,296	14,853	15,213	+0.4%	+2.4%
USDVND	23,227	23,230	22,935	23,409	23,796	-2.6%	+1.3%
USDKRW	1,165.8	1,179.5	1,144.9	1,292.0	1,306.8	-2.3%	+4.7%
USDTWD	30.91	29.47	27.93	29.80	31.15	-1.7%	+3.6%
USDINR	70.42	74.12	73.94	78.63	82.54	-0.8%	-0.2%
USDCNY	6.910	6.900	6.451	6.733	7.078	-3.3%	+2.5%
USDMYR	4.143	4.201	4.144	4.401	4.552	-5.5%	+2.2%

Source: Bloomberg, MIDFR

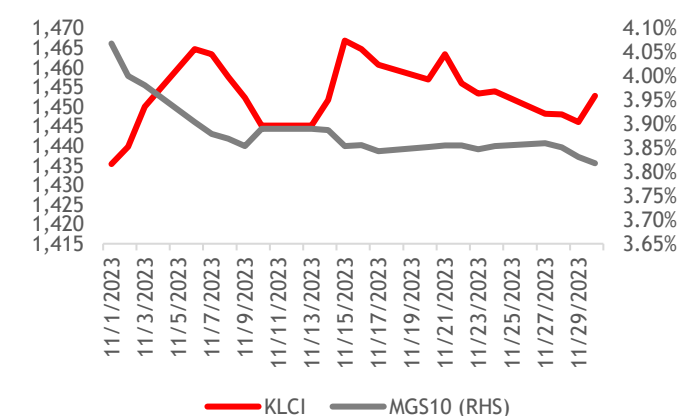
Foreign funds registered an inflow in Nov-23. Foreign investors net bought RM303.30m domestic equities in Nov-23 (Oct-23: -RM460.38m). Although the latest available data shows foreign holding of Malaysian bonds declined for the 3rd consecutive month to RM267.2b in Oct-23 (Aug-23: RM269.7b), we foresee the return of foreign flows also went into the domestic bond market given the steady and steep decline of MGS yields in Nov-23 as well as the strengthening of ringgit.

Chart 7: FBMKLCI (Average) vs Fund Flow Into Malaysian Equity (USD m)



Source: Bloomberg, MIDFR

Chart 8: FBMKLCI and MGS 10-Yield Movement in Oct-23

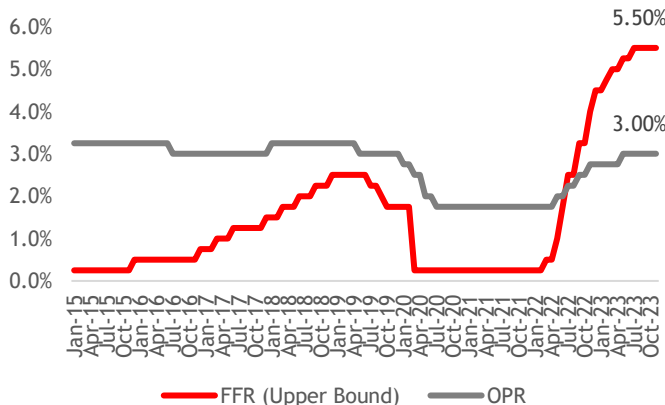


Source: Bloomberg, MIDFR

We revise our year-end target for 2023 to RM4.45. We continue to expect ringgit will appreciate towards year-end, however, given the series of external developments keeping ringgit from strengthening further, we revise our year-end target from RM4.30 to RM4.45 (for 2024 outlook please refer to our 2024 Outlook report). We

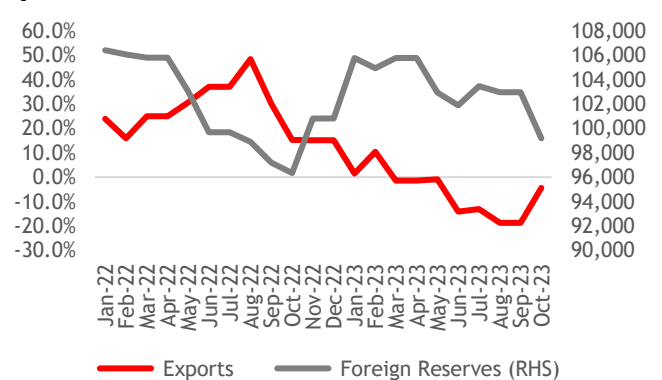
foresee the local currency will benefit from no further widening of the OPR-FFR as OPR is expected to be maintained at 3.00% even going into 2024, with Fed will also keep fed funds rate unchanged at current high levels. Economic fundamentals also remain supportive to ringgit as domestic demand continues to make up for the weakness in the external trade. Nevertheless, the signs of continued recovery in China pointed to improving external trade outlook, in addition to the turnaround in E&E exports. While we are optimistic for the ringgit to strengthen further, we are cautious of the downside risks such as growth concerns, including the escalation of conflicts in the Middle East and a drag from slow recovery in China, and renewed expectations for rate hike by the Fed; which could lead to higher demand for US dollars and on the other hand cause ringgit to remain weak. 📈

Chart 9: Fed Funds Rate vs OPR at Month-End (%)



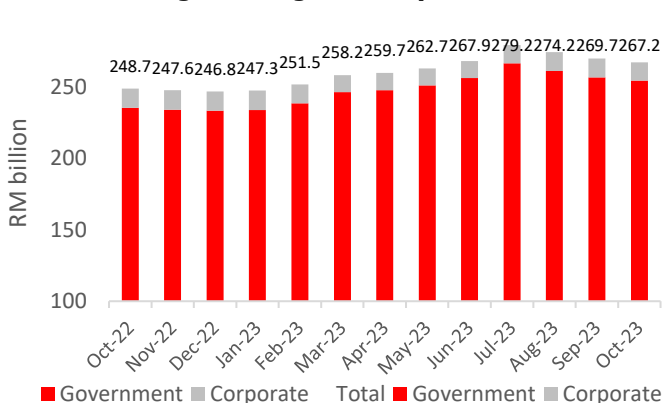
Source: Bloomberg, MIDFR

Chart 10: Exports (YoY%) and Foreign Reserves (USD m)



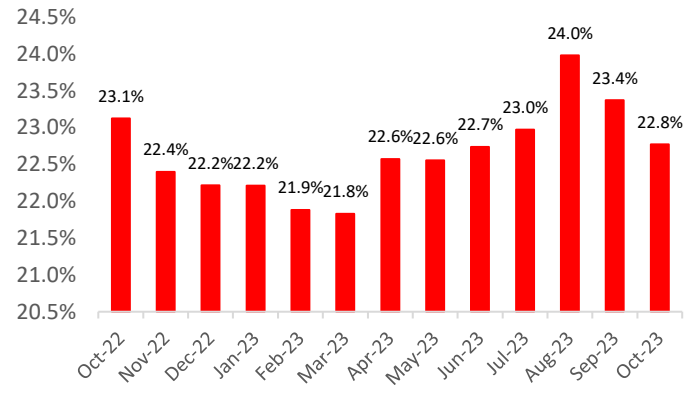
Source: Bloomberg, IMF, MIDFR

Chart 11: Foreign Holdings of Malaysian Bonds



Source: BNM, Bondstream, MIDFR

Chart 12: Foreign Holdings of Outstanding Malaysian Government Bonds



Source: BNM, Bondstream, MIDFR

Table 3: Quarterly Forecast for MYR and MGS 10-year yield

Indicator	3Q23	4Q23f	1Q24f	2Q24f	3Q24f	4Q24f
Exchange Rate, vs USD (average)	4.63	4.58	4.45	4.42	4.35	4.25
Exchange Rate, vs USD (end-period)	4.70	4.45	4.44	4.38	4.32	4.20
10Y Government Bond Yield (average)	3.97	3.97	3.75	3.72	3.63	3.62
10Y Government Bond Yield (end-period)	3.84	3.77	3.75	3.65	3.63	3.60

Source: MIDFR

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