

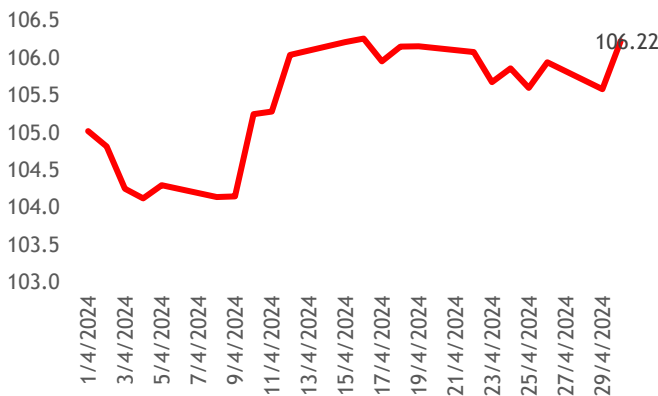
CURRENCY | April-24 Monthly Currency Review

Ringgit Depreciated in Apr-24 Against Broad Strength in US Dollar

- *The US dollar extended its appreciating trend into the fourth month as the DXY index rose +1.7%mom to 106.22 by the end of Apr-24 (end-Mar-24: 104.49). The Fed's tone on the future inflation and interest rate outlook will influence market sentiment and the greenback demand going forward. We foresee the dollar's strength will subside as the Fed moves closer to easing its policy rate.*
- *The Malaysian ringgit depreciated in Apr-24, fell -1.0%mom to RM4.773, and reversed the gains in the previous month.*
- *MIDF Trade-Weighted Ringgit Index (TWRI) jumped higher by +0.3%mom to 85.24 in Apr-24.*
- *We now anticipate the ringgit will average around RM4.53 in 2024 (2023: RM4.56) and trend towards RM4.43 by the end of the year (end-2023: RM4.59). Nonetheless, potential US recession and ongoing issues affecting global trade and manufacturing sectors may limit the ringgit's performance.*
- *Maintaining our target for MIDF TWRI to close the year higher at 91.50. Despite the slide against the USD, MYR's performance against other currencies in the index has been mostly positive.*

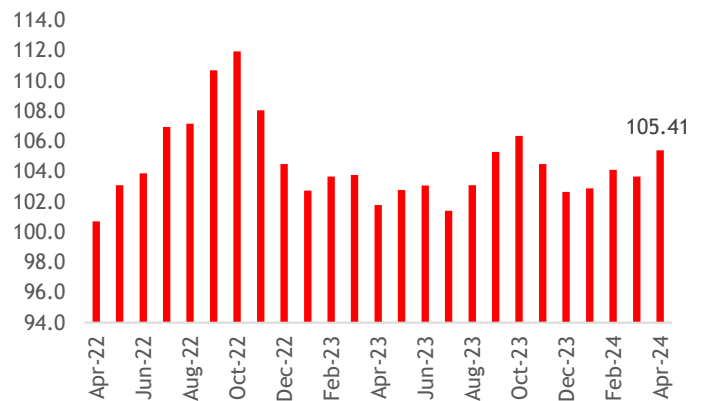
USD appreciated further in Apr-24. The US dollar extended its appreciating trend into the fourth month as the DXY index rose +1.7%mom to 106.22 by the end of Apr-24 (end-Mar-24: 104.49). The monthly average also soared +1.7%mom to 105.41 (Mar-24: 103.66). The average and the month-end closing in Apr-24 was the highest in 6 months as the demand for US dollar continued to be buoyed by the "higher for longer" sentiment in response to the sticky and still elevated inflation. Although the DXY dollar index fell by -0.2% on 25 April 2024 following the release of the weaker-than-expected 1QCY24 GDP data, the dollar recovered the following day, rising by +0.3% to 105.94, as core PCE inflation was unchanged in Mar-24, higher than market expectations. The dollar surged further on the last day of the month appreciating by +0.6% as the foreign exchange market turned cautious ahead of the FOMC meeting on 1 May 2024. Although the Fed was largely expected to keep the interest rate steady, the Fed's tone on the future inflation and interest rate outlook will influence market sentiment and the greenback demand going forward. We continue to expect the Fed will begin easing its policy rate in the latter part of 2H CY24 as the US inflation broadly remains on moderating trend, despite the stickier reading recently. Hence, we foresee the dollar's strength will subside as the Fed moves closer to easing its policy rate. On the flip side, downside risks from the potential US recession, increasing geopolitical tensions, and rising risk aversion may prolong the dollar's strength.

Chart 1: Movement of DXY Dollar Index in Apr-24



Source: Bloomberg, MIDFR

Chart 2: Monthly Average of DXY Dollar Index

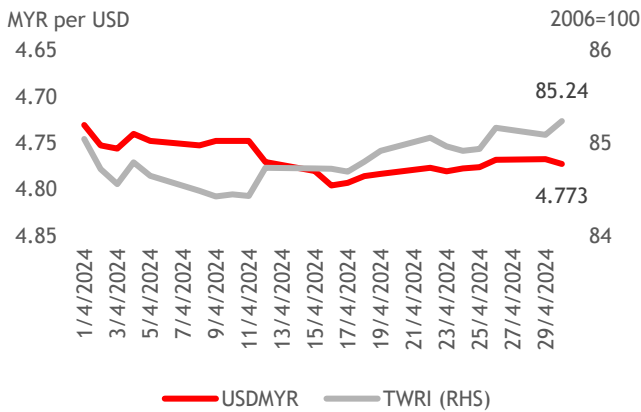


Source: Bloomberg, MIDFR

Ringgit depreciated against the greenback. The Malaysian ringgit depreciated in Apr-24, fell -1.0%mom to RM4.773, and reversed the gains in the previous month. On average, the ringgit depreciated also by -1.0%mom to RM4.766. The intra-month movement saw the ringgit plunging from its strongest closing on the 1st day of the month at RM4.731 towards the intra-month low at RM4.796 on 16 April 2024, as data releases signalled continued strength in the US domestic demand. Despite the depreciating pressure, the ringgit was yet to close at 26-year lows of RM4.805, which was recorded back in Feb-24. The ringgit recovered some losses, broadly appreciating towards the month's end albeit still hovering near the same level. On another note, commodity price movement failed to support the ringgit despite the Brent crude oil prices rising by +0.4%mom to USD87.86pb. Despite Malaysia's robust growth fundamentals supporting the ringgit outlook with domestic demand continuing to expand, expectations of the Fed's future policy direction remained the main factor influencing fluctuations in the ringgit's exchange rate against the dollar.

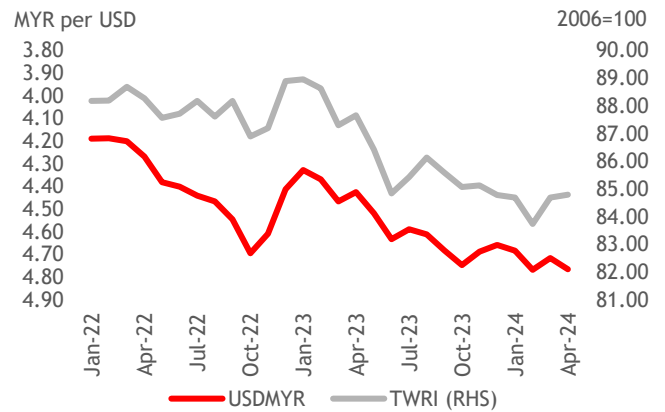
Ringgit strengthened further against trading partners' currencies. Our MIDF Trade-Weighted Ringgit Index (TWRI) jumped higher by +0.3%mom to 85.24 in Apr-24. This increase reflects the ringgit's improved performance against the currencies of Malaysia's main trading partners. In particular, ringgit strengthened against the Japanese yen (+0.20%) and Indonesian rupiah (+0.11%). The yen depreciated after BOJ kept the interest rate steady in its Apr-24 policy decision, as expected by the market consensus despite the yen's continued struggle against the greenback and other currencies. Meanwhile, the rupiah's depreciation caused Bank Indonesia's to hike its policy interest rate to support the currency from weakening further.

Chart 3: USDMYR vs. MIDF TWRI in Mar-24



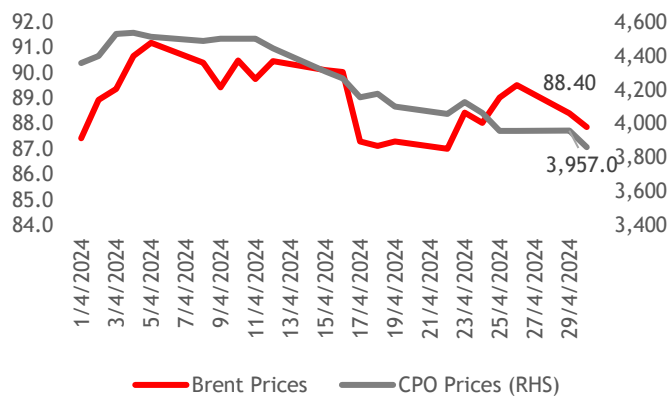
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



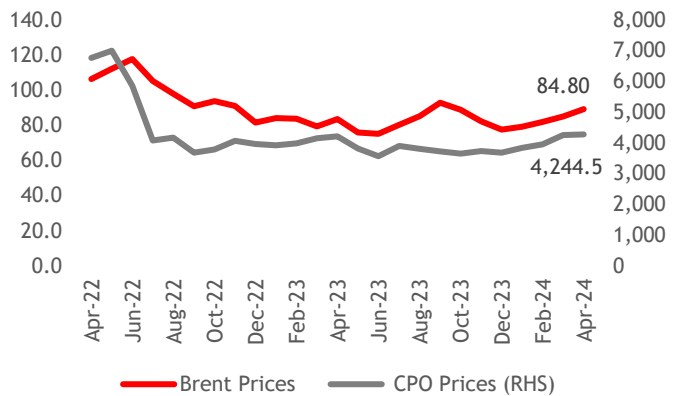
Source: Bloomberg, MIDFR

Chart 5: Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne) Prices



Source: Bloomberg, MIDFR

Chart 6: Monthly Average Prices of Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne)



Source: Bloomberg, MIDFR

Ringgit outperformed most regional currencies. As indicated by TWRI improvement, the ringgit appreciated against most regional currencies in Apr-24. Notably, the ringgit registered strong gains against the Philippines peso (+1.6%mom), Indonesian rupiah (+1.5%mom) and Thai baht dollar (+1.3%mom). The ringgit also outperformed the Japanese yen (+3.2%mom) and South Korean won (+1.6%mom). However, against the euro and pound, the ringgit fell by -0.5mom.

Table 1: End Period of MYR Against Selected Currencies, YTD Change and MoM Change

	2020	2021	2022	2023	Apr-24	YTD Change	MoM Change
PHPMYR	0.084	0.082	0.079	0.083	0.083	+0.5%	+1.6%
IDRMYR	0.029	0.029	0.028	0.030	0.029	+1.6%	+1.5%
THBMYR	13.376	12.557	12.747	13.399	12.833	+4.4%	+1.3%
VNDMYR	0.174	0.183	0.187	0.189	0.188	+0.5%	+1.2%
TWDMYR	0.143	0.151	0.143	0.150	0.147	+2.5%	+0.8%
CNYMYR	0.616	0.655	0.638	0.646	0.659	-1.9%	-0.7%

NPRMYR	0.034	0.035	0.033	0.035	0.036	-3.5%	-0.9%
BDTMYR	4.748	4.829	4.270	4.178	4.355	-4.1%	-0.9%
TRYMYR	0.541	0.312	0.235	0.155	0.147	+5.4%	-1.0%
LKRMYR	0.022	0.021	0.012	0.014	0.016	-11.6%	-2.0%
JPYMYR	3.891	3.620	3.358	3.255	3.026	+7.6%	+3.2%
KRWMYR	0.370	0.350	0.350	0.356	0.345	+3.1%	+1.6%
CADMYR	3.156	3.271	3.251	3.467	3.487	-0.6%	-0.0%
SGDMYR	3.043	3.086	3.283	3.478	3.507	-0.8%	-0.1%
GBPMYR	5.495	5.631	5.299	5.837	5.987	-2.5%	-0.5%
EURMYR	4.946	4.719	4.693	5.076	5.120	-0.9%	-0.5%
USDMYR	4.020	4.167	4.405	4.594	4.773	-3.7%	-1.0%

Source: Bloomberg, MIDFR

USD gained against almost all other currencies. Except Indian rupee, which was virtually unchanged against the dollar, all other currencies underperformed and weakened as a result of the broad strengthening in the greenback. Year-to-date, however, all currencies have taken a dip against the greenback. Notably, the Japanese yen was the worst performer against the USD, falling by -4.1%mom and -10.6%ytd.

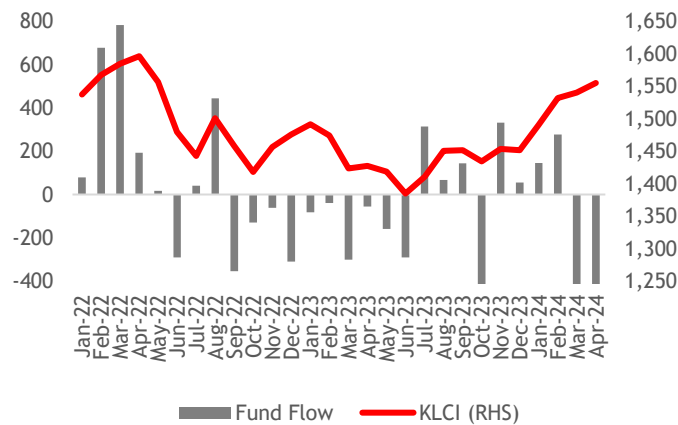
Table 2: End Period of USD Against Selected Currencies, YTD Change and MoM Change

	2020	2021	2022	2023	Apr-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	106.22	+4.8%	+1.7%
USDAUD	1.300	1.377	1.468	1.468	1.525	-5.0%	-0.7%
GBPUSD	1.367	1.353	1.208	1.273	1.264	-1.9%	-1.0%
EURUSD	1.222	1.137	1.071	1.104	1.082	-3.4%	-1.1%
USDSGD	1.322	1.349	1.340	1.320	1.344	-3.3%	-1.2%
USDCAD	1.273	1.264	1.355	1.324	1.353	-3.9%	-1.7%
USDTHB	29.96	33.21	34.61	34.26	35.94	-7.9%	-2.3%
USDPHP	48.03	50.99	55.74	55.39	56.22	-4.1%	-2.7%
USDJPY	103.25	115.08	131.12	141.04	149.83	-10.6%	-4.1%
USDINR	73.07	74.34	82.74	83.21	83.13	-0.3%	-0.0%
USDCNY	6.527	6.356	6.899	7.100	7.200	-1.9%	-0.3%
USDMYR	4.020	4.167	4.405	4.594	4.733	-3.7%	-1.0%
USDTWD	28.09	27.67	30.73	30.58	31.66	-6.1%	-1.8%
USDVND	23,098	22,826	23,633	24,269	24,712	-4.2%	-2.1%
USDIDR	14,050	14,263	15,573	15,399	15,753	-5.3%	-2.5%
USDKRW	1,086.5	1,189.9	1,260.3	1,291.1	1,338.9	-6.6%	-2.5%

Source: Bloomberg, MIDFR

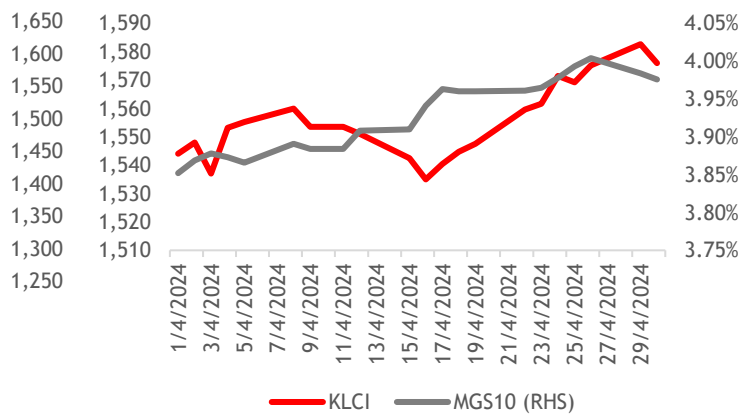
Another month of outflow from the equity market. Foreign investors net sold -USD481.98m domestic equities in Apr-24 (Feb-24: -USD608.56m). In terms of foreign holding of Malaysian bonds, the latest data as of Mar-24 rebounded to increase to RM265.8b (Feb-24: RM264.1b). The rising yields in Apr-24 indicate possible outflow from the bond market which together with the equity market outflow contributed towards the ringgit depreciation in Apr-24.

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



Source: Bloomberg, MIDFR

Chart 8: FBMKLCI and MGS 10-Yield Movement in Apr-24

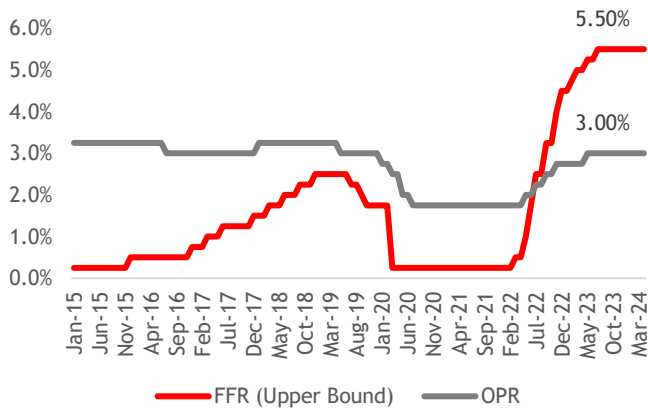


Source: Bloomberg, MIDFR

Still foresee the ringgit to appreciate in 2024. We continue to expect the ringgit and other regional currencies will benefit from the inflow of foreign funds into emerging markets, particularly when the Fed reduces its FFR. However, given the smaller-than-anticipated FFR cuts and the recent sustained strength of the dollar, we predict a more modest appreciation of the ringgit than initially forecasted. We now anticipate the ringgit will average around RM4.53 in 2024 (2023: RM4.56) and trend towards RM4.43 by the end of the year (end-2023: RM4.59). Moreover, the ringgit will also benefit from a revival in external trade activities as Malaysia consistently maintains a trade surplus. Nonetheless, potential US recession and ongoing issues affecting global trade and manufacturing sectors may limit the ringgit's performance. Furthermore, a continued robust performance of the US dollar, especially if the Fed delays rate cuts due to persistently high inflation or a better-than-expected US economic growth, could further weaken the ringgit's prospects.

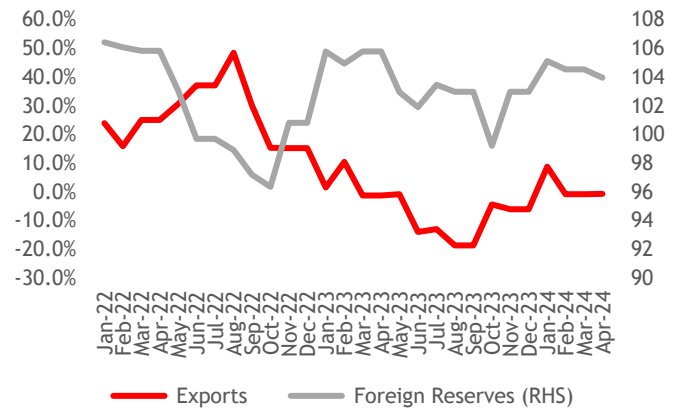
Maintaining our target for MIDF TWRI to close the year higher at 91.50. Despite the slide against the USD, MYR's performance against other currencies in the index has been mostly positive. The anticipated recovery in Malaysia's external trade and a brighter economic outlook are poised to enhance the ringgit's performance this year, not only against the USD but also against the currencies of Malaysia's main trading partners. Elevated commodity prices and improvements in commodity trade (e.g., crude oil, LNG, and crude palm oil) are expected to increase demand for the ringgit. This trend is further supported by the expected policy adjustments in major central banks, such as the US Fed, which are likely to shift away from tight monetary policies as inflation moderates further. Consequently, we anticipate our MIDF TWRI to reflect a broad appreciation of the ringgit, projecting the index to end the year higher at 91.50 (end-2023: 85.34). 📈

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



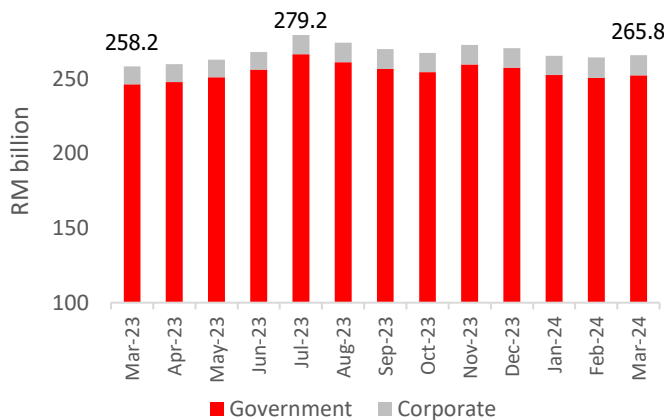
Source: Bloomberg, MIDFR

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



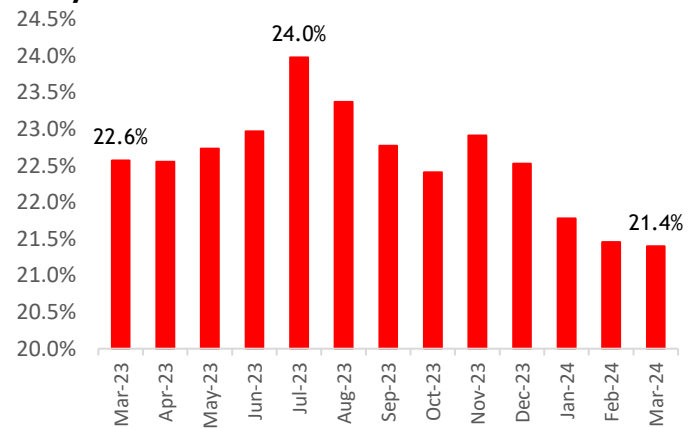
Source: Bloomberg, IMF, MIDFR

Chart 11: Foreign Holdings of Malaysian Bonds (RM b)



Source: BNM, Bondstream, MIDFR

Chart 12: Foreign Holdings as % of Outstanding Malaysian Government Bonds



Source: BNM, Bondstream, MIDFR

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

Indicator	3Q23	4Q23	1Q24	2Q24f	3Q24f	4Q24f
Exchange Rate, vs USD (average)	4.63	4.70	4.72	4.70	4.57	4.44
Exchange Rate, vs USD (end-period)	4.70	4.59	4.73	4.69	4.56	4.43
10Y Government Bond Yield (average)	3.97	3.91	3.83	3.95	3.86	3.74
10Y Government Bond Yield (end-period)	3.84	3.73	3.85	3.92	3.80	3.68

Source: MIDFR

April 2024 Key Economic Events

2 Apr: Thailand receives over 9.3 mln foreign tourists in Q1 Thailand received over 9.37 million foreign tourists in the first three months of 2024, an increase of 44 percent from a year earlier, on course to meet the year-end target of 35 million foreign arrivals, official data showed on Tuesday.

4 Apr: Taiwan chip industry sails overseas amid supply chain shift TSMC and Foxconn are not the only Taiwanese tech companies feeling compelled to expand abroad. Suppliers of chip and electronics tools, materials and plant builders are also venturing beyond the island as top clients undertake their biggest overseas expansion in decades.

11 Apr: Turkey-Israel disagreement over Gaza hits trade relations Tensions between Israel and Turkey over the war in Gaza are at risk of escalating into an all-out trade war, threatening a bilateral economic relationship that has long been nurtured even as the countries bicker over political issues.

16 Apr: Singapore says Lawrence Wong will take over as prime minister on May 15 Singapore has announced that Deputy Prime Minister Lawrence Wong will take over as the country's next leader on May 15.

21 Apr: Vietnam central bank plans forex intervention Vietnam's central bank is ready to immediately intervene the foreign exchange market in case of adverse impact on the economy from currency moves, its deputy governor said on Friday.

24 Apr: Sri Lanka's Debt Restructuring Talks with Private Bondholders Hit a Snag the Ministry of Finance said in a press release that despite "constructive discussions" with some of the Steering Committee members of the Ad Hoc Group of Bondholders, which consists of some of the country's biggest private holders of debt, the two sides could not reach agreement on "restructuring terms."

30 Apr: Tourism is booming in Japan, with record-breaking visitor numbers As Japan gets ready to stage the Osaka World Expo in 2025, the country has never attracted so many overseas visitors, setting record after record. As a result, action to regulate tourist numbers at popular sites is already being taken.

4 Apr: Bangladesh power system gets dirtier on rapid coal use growth Coal is on course to overtake natural gas as the primary source of electricity in Bangladesh, worsening regional emissions and complicating global efforts to cut use of high-polluting fossil fuels.

10 Apr: Philippines' Marcos denies 'gentleman's agreement' with Beijing over South China Sea Philippine President Ferdinand Marcos Jr. on Wednesday denied the existence of a "gentleman's agreement" between his predecessor, Rodrigo Duterte, and China that Manila would not make repairs to a rusting military outpost in a disputed shoal in the South China Sea.

15 Apr: China's capital markets activity falls to multi-decade lows Activity on China's equity capital markets on the mainland and beyond has slumped to multi-decade lows, highlighting how the loss of momentum in the world's second-largest economy has weighed on investor confidence.

21 Apr: Qatar, Nepal, Bangladesh: Emir's Visits Should Prioritize Migrant Worker Protections The upcoming visits of the Emir of Qatar, Sheikh Tamim bin Hamad al-Thani, to Bangladesh and Nepal should prioritize labor protections for migrant workers, Human Rights Watch said today.

24 Apr: Indonesia hikes key interest rate to 6.25% as rupiah slumps Indonesia's central bank raised its benchmark interest rate by 25 basis points to 6.25% on Wednesday as it tries to shore up the weak rupiah.

28 Apr: Rising unemployment hits Canada's international students hard A tightening job market in Canada, fuelled by a surge of immigration that produced the fastest population growth in 67 years, is hitting the country's large cohort of international students particularly hard.

30 Apr: Euro zone inflation steady in April, reinforcing ECB rate cut case Euro zone inflation held steady as expected in April but a crucial indicator on underlying price pressures slowed, solidifying an already strong case for the European Central Bank to cut interest rates in June.

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (23878-X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.