

## CURRENCY | Mar-24 Monthly Currency Review

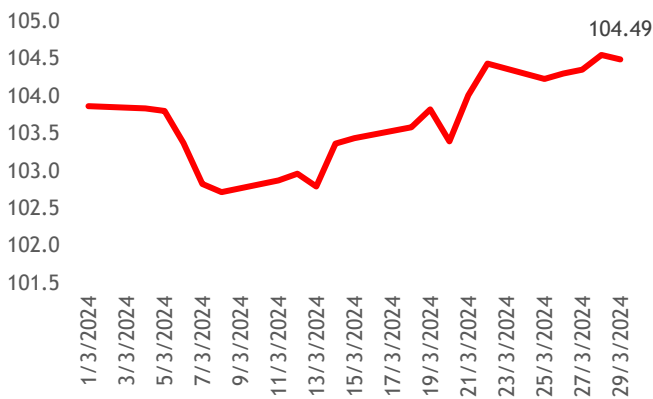
### Ringgit Rebounded in Mar-24

- *The USD appreciated for the third consecutive month as the DXY index rose +0.3%mom to close at 104.49 by the end of Mar-24 (end-Feb-24: 104.16). We maintain our expectation that the dollar will weaken in the latter part of the year as the Fed moves closed to slash its interest rates. Nevertheless, potential recessionary risks in the US and re-escalating geopolitical tensions and heightened risk aversion could sustain the dollar's strength for a longer period.*
- *The Malaysian ringgit appreciated +0.4%mom to RM4.725 against the dollar in Mar-24, despite the broad strengthening of the dollar in the first 3 months.*
- *The MIDF Trade Weighted Ringgit Index (TWRI) increased by +0.9%mom in Mar-24, reaching 85.00 and marking its highest reading since mid-Jan-24.*
- *We expect the ringgit to strengthen to RM4.20 by the end of the year. This expected appreciation is primarily due to the narrowing differential of interest rates, with the Fed anticipated to reduce its policy rates vis-à-vis BNM's decision which we forecast will maintain the OPR at 3.00% throughout the year.*
- *MIDF TWRI to close the year higher at 91.50. The brighter economic outlook with expected recovery in Malaysia's external trade are expected to contribute positively towards the ringgit performance this year, not only against the US dollar but also versus the currencies of Malaysia's major trading partners.*

**USD extended appreciation in Mar-24.** The USD appreciated for the third consecutive month as the DXY index rose +0.3%mom to close at 104.49 by the end of Mar-24 (end-Feb-24: 104.16). Although the month-end closing was the strongest level since mid-Feb-24, it was the highest monthly closing in 5 months. The monthly average, however, saw the DXY dollar index declined by -0.4%mom to 103.66 (Feb-24: 104.12). Following the US Fed's decision to maintain interest rates at high level and an upgrade to its US economic projection, the changing market sentiment led to increased demand for dollar towards month-end as strong economic growth and persistent inflation. This was marked by a +0.6% increase in the DXY index on 21 March 2024 alone, against the previous day's closing. The intra-month movement saw the dollar rising and closing at its intra-month high of 104.55 on 28 March 2024, which was further boosted by upward revision to the US 4QCY23 GDP growth. The robustness of the labour market also further bolstered USD's strength. The dollar however closed marginally lower on the final day of Mar-24 as the core PCE inflation eased further in Feb-24. Although market has shifted its expectations for the US Fed to begin easing its monetary policy in the latter part of the year, the Fed Chair continued to signal and emphasized a cautious approach to interest rate reductions, even as inflation remained above target. Moving forward, we foresee the dollar to weaken in the latter part of the year as the US Fed moves closed to slash its interest rates to alleviate policy stringency in light of decreasing inflation pressures. Nevertheless, potential recessionary risks in the US and re-escalating geopolitical tensions and heightened risk aversion could sustain the dollar's strength for a longer period. Furthermore, if the US economy continues to

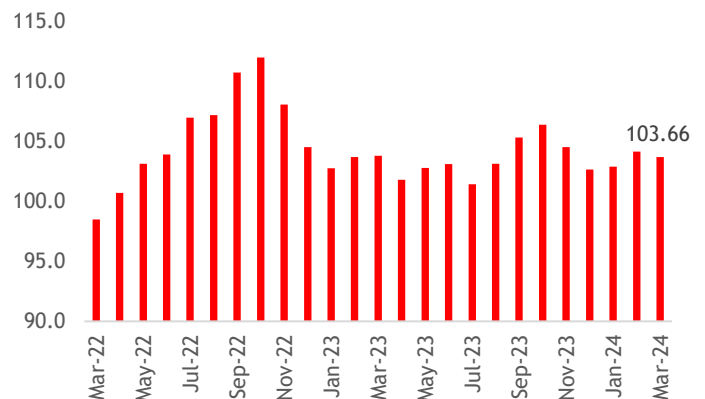
exhibit resilience, particularly sustained growth in consumer spending and positive labour market data, the expected rate cuts may be postponed, which would in turn support the dollar.

**Chart 1: Movement of DXY Dollar Index in Mar-24**



Source: Bloomberg, MIDFR

**Chart 2: Monthly Average of DXY Dollar Index**



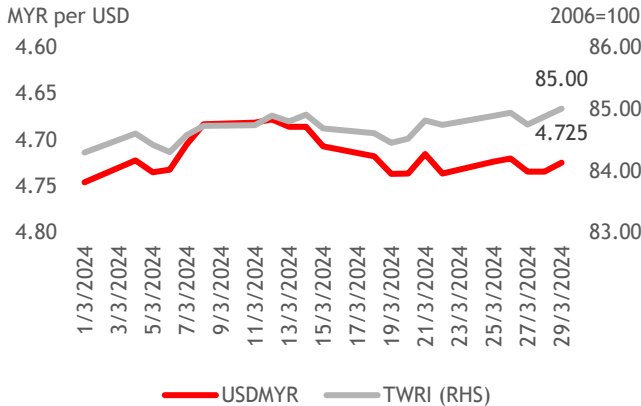
Source: Bloomberg, MIDFR

**Ringgit ended 2 months of depreciation against the dollar.** The Malaysian ringgit appreciated +0.4% mom to RM4.725 against the dollar in Mar-24, despite the broad strengthening of the dollar in the first 3 months. On average, the ringgit strengthened by +1.1% mom to RM4.716. The intra-month movement saw the ringgit strengthened from its weakest closing on the 1st day of the month at RM4.746 towards the intra-month high at RM4.678 on 12 March 2024, which was the strongest closing since mid-Jan-24. However, the ringgit weakened in the latter part of the month following the broad strengthening of the dollar because a series of encouraging US economic data delayed the need for immediate policy easing by the US Fed. On another note, commodity price movement was also supportive for the ringgit; Brent crude oil prices soared by +4.6% mom to USD87.48pb. We still conclude that although Malaysia's growth fundamentals remained supportive of the ringgit as domestic demand, for example, remained expansionary, we saw expectations of the Fed's future policy direction continued to affect changes in the ringgit's exchange rate versus the US dollar. Looking ahead, we anticipate the ringgit, along with other regional currencies, would appreciate against the US dollars in 2024, buoyed by the reversal of funds flowing back into EMs and the recovery in external trade.

**Another month of ringgit appreciating against trading partners' currencies.** The MIDF Trade Weighted Ringgit Index (TWRI) increased by +0.9% mom in Mar-24, reaching 85.00 and marking its highest reading since mid-Jan-24. This rise indicates the ringgit's better performance against currencies of Malaysia's major trading partners' currencies in the index. In particular, major contributors to this improvement were from ringgit's strengthening versus Chinese yuan (+0.13%) and Japanese yen (+0.11%). The yuan's depreciation largely stemmed from the anticipation of additional monetary easing measures by the PBOC to support China's economic recovery. Meanwhile, the yen's decline was attributed to the Bank of Japan's (BOJ) cautious stance regarding further interest rate increases even after the BOJ decided during the month to end its eight-year negative interest rate policy. Going forward in 2024, we expect the TWRI to continue its upward trajectory as we foresee ringgit to

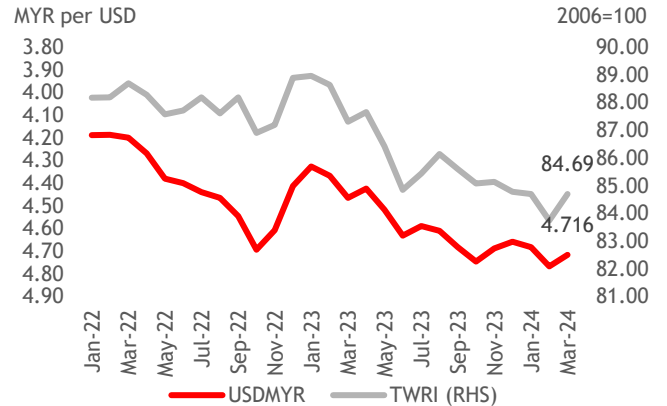
gain the recovery in external trade with growth fundamentals remained intact. Higher commodity prices, such as crude oil, LNG, and crude palm oil, could also lead to increased demand for the ringgit in 2024.

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



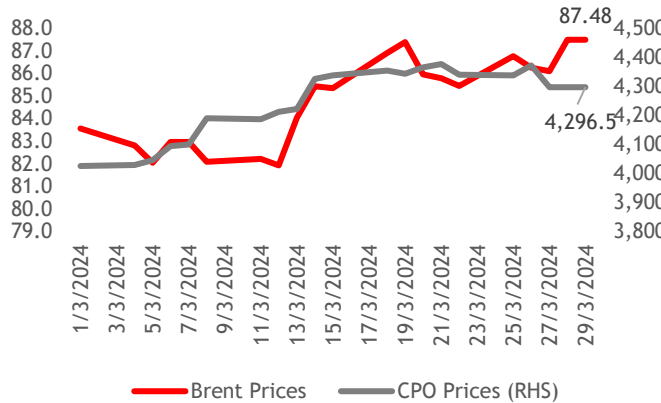
Source: Bloomberg, MIDFR

**Chart 4: USDMYR vs MIDF TWRI Monthly Average**



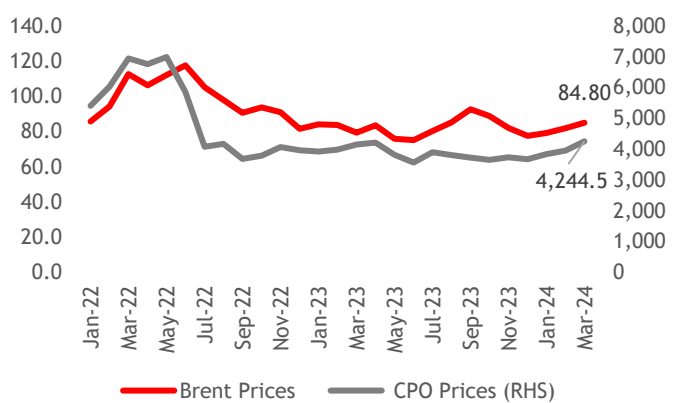
Source: Bloomberg, MIDFR

**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 strengthened against most other currencies.** In line with the broad strengthening of ringgit except against the Sri Lankan rupee which the ringgit depreciated by -2.6%mom, the local currency has appreciated against all currencies in Mar-24. The ringgit continued to register strong gains against the struggling Turkish lira (+3.8%mom), Thai baht (+1.9%mom) and Taiwan dollar (+1.6%mom). Notably, the ringgit also outperformed the South Korean won (+1.6%mom) and Japanese yen (+1.3%mom). Against the euro and pound, the ringgit also appreciated by +1.0%mom and +0.8%mom, respectively.

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

	2020	2021	2022	2023	Mar-24	YTD Change	MoM Change
<b>TRYMYR</b>	0.541	0.312	0.235	0.155	0.146	+6.4%	+3.8%
<b>THBMYR</b>	13.376	12.557	12.747	13.399	12.995	+3.1%	+1.9%
<b>TWDMYR</b>	0.143	0.151	0.143	0.150	0.148	+1.7%	+1.6%
<b>IDRMYR</b>	0.029	0.029	0.028	0.030	0.030	+0.1%	+1.3%

	2020	2021	2022	2023	Mar-24	YTD Change	MoM Change
VNDMYR	0.174	0.183	0.187	0.189	0.191	-0.7%	+1.0%
NPRMYR	0.034	0.035	0.033	0.035	0.035	-2.6%	+0.9%
CNYMYR	0.616	0.655	0.638	0.646	0.654	-1.3%	+0.8%
PHPMYR	0.084	0.082	0.079	0.083	0.084	-1.1%	+0.5%
BDTMYR	4.748	4.829	4.270	4.178	4.313	-3.1%	+0.3%
LKRMYR	0.022	0.021	0.012	0.014	0.016	-9.8%	-2.6%
KRWMYR	0.370	0.350	0.350	0.356	0.351	+1.5%	+1.6%
JPYMYR	3.891	3.620	3.358	3.255	3.122	+4.3%	+1.3%
EURMYR	4.946	4.719	4.693	5.076	5.093	-0.3%	+1.0%
GBPMYR	5.495	5.631	5.299	5.837	5.960	-2.1%	+0.8%
SGDMYR	3.043	3.086	3.283	3.478	3.502	-0.7%	+0.8%
USDMYR	4.020	4.167	4.405	4.594	4.725	-2.8%	+0.4%
CADMYR	3.156	3.271	3.251	3.467	3.487	-0.6%	+0.1%

Source: Bloomberg, MIDFR

**Ringgit among few currencies appreciated against the USD.** The broad strengthening of the US dollar in Mar-24 saw exchange rates of most currencies weaken during the month. Only selected currencies managed to register gains against the USD during the month i.e. the Australian dollar (+0.4%mom) and the Canadian dollar (+0.3%mom), while the ringgit is the only EM currency which strengthened against the dollar (+0.4%mom). To highlight, the Philippine peso ended the month virtually unchanged against the USD.

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

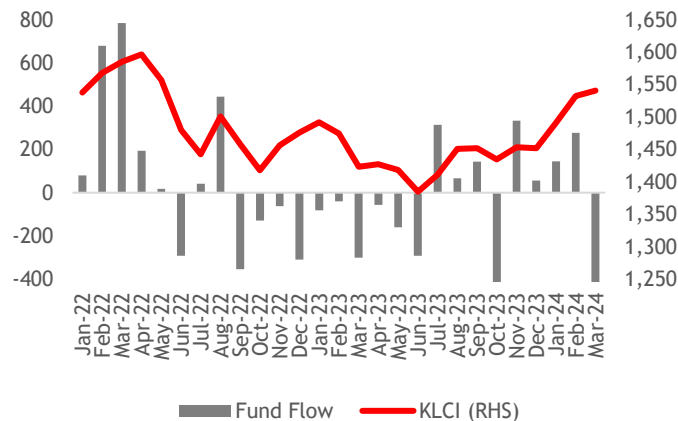
	2020	2021	2022	2023	Mar-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	104.49	+3.1%	+0.3%
USDAUD	1.300	1.377	1.468	1.468	1.520	-4.3%	+0.4%
USDCAD	1.273	1.264	1.355	1.324	1.348	-2.2%	+0.3%
USDPHP	48.03	50.99	55.74	55.39	55.97	-1.5%	+0.0%
GBPUSD	1.367	1.353	1.208	1.273	1.268	-0.8%	-0.0%
EURUSD	1.222	1.137	1.071	1.104	1.086	-2.3%	-0.1%
USDSGD	1.322	1.349	1.340	1.320	1.340	-2.1%	-0.3%
USDJPY	103.25	115.08	131.12	141.04	148.43	-6.8%	-0.9%
USDMYR	4.020	4.167	4.405	4.594	4.721	-2.8%	+0.4%
USDCNY	6.527	6.356	6.899	7.100	7.187	-1.7%	-0.5%
USDVND	23,098	22,826	23,633	24,269	24,556	-2.1%	-0.6%
USDINR	73.07	74.34	82.74	83.21	83.05	-0.2%	-0.6%
USDIDR	14,050	14,263	15,573	15,399	15,655	-2.9%	-0.9%
USDKRW	1,086.5	1,189.9	1,260.3	1,291.1	1,329.0	-4.2%	-1.2%
USDTWD	28.09	27.67	30.73	30.58	31.43	-4.4%	-1.2%
USDTHB	29.96	33.21	34.61	34.26	35.65	-5.8%	-1.2%

Source: Bloomberg, MIDFR

**Equity market ended 4 consecutive months of inflow.** Foreign investors net sold -USD608.56m domestic equities in Mar-24 (Feb-24: USD276.60m). In terms of foreign holding of Malaysian bonds, the latest data as of

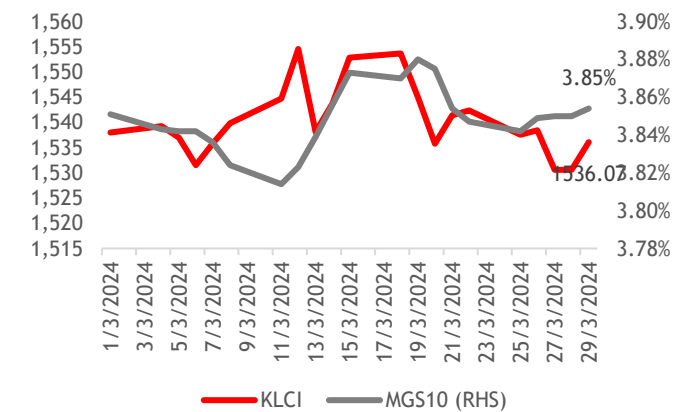
Feb-24 showed a further decline to RM264.1b (Jan-24: RM265.3b). Given the ringgit gains despite the outflow from the equity market, we might see the return of foreign interest into the domestic debt market in Mar-24. Concurrently, the yield benchmark 10-year MGS yield corrected marginally by -1bps from the previous month and closed lower at 3.85% in Mar-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 Mar-24**



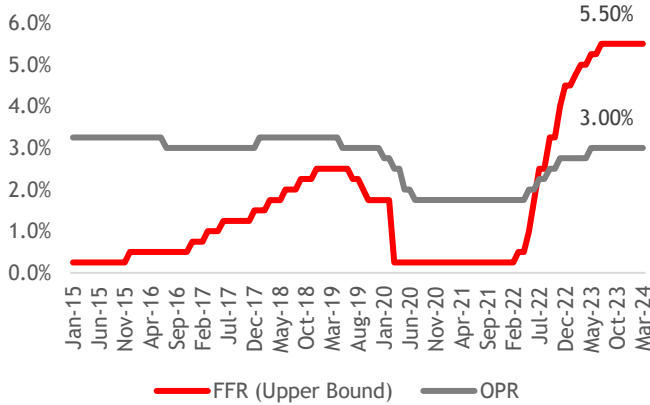
Source: Bloomberg, MIDFR

**We maintain our expectation that the ringgit will appreciate to RM4.20 by the end of the year.** This expected appreciation is primarily due to the narrowing differential of interest rates, with the Fed anticipated to reduce its policy rates vis-à-vis BNM’s decision which we forecast will maintain the OPR at 3.00% throughout the year. Such monetary adjustments are likely to favour the ringgit along with other currencies in the region as capital flows are expected to shift back towards EMs. Furthermore, the ringgit should gain from a resurgence in external trade activities as Malaysia continues to record trade surplus. Recent measures by the government and BNM to promote repatriations of investment income by public corporations from overseas markets will also support ringgit. However, the possibility of a recession in the US and enduring challenges in global trade and manufacturing sectors could keep the ringgit’s performance subdued. Additionally, a sustained strong performance of the US dollar, particularly if the Fed postpones rate cuts due to stubbornly high inflation or a stronger-than-expected US economic performance, could further dampen the ringgit’s outlook.

**MIDF TWRI to close the year higher at 91.50.** The brighter economic outlook with expected recovery in Malaysia’s external trade are expected to contribute positively towards the ringgit performance this year, not only against the US dollar but also versus the currencies of Malaysia’s major trading partners. The ringgit is also positioned to benefit from elevated commodity prices and improvement in commodity trade (i.e. crude oil, LNG and crude palm oil) which is expected to bolster the demand for the ringgit. Additionally, considering the significant weight of TWRI on the ringgit’s performance against currencies of developed economies, the expected return of fund flows into EMs will also lead to the ringgit’s appreciation against major currencies. This is also supported by the expected policy shift in major central banks (like the US Fed), which will eventually move away

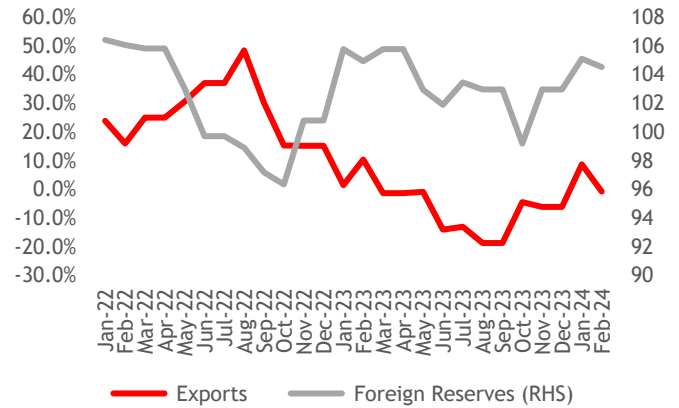
from the highly restrictive monetary policy setting as inflation continues to moderate. On that note, we foresee our MIDF TWRI will signal broad appreciation of ringgit and to end the year higher at 91.50 (2023: 85.34).

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



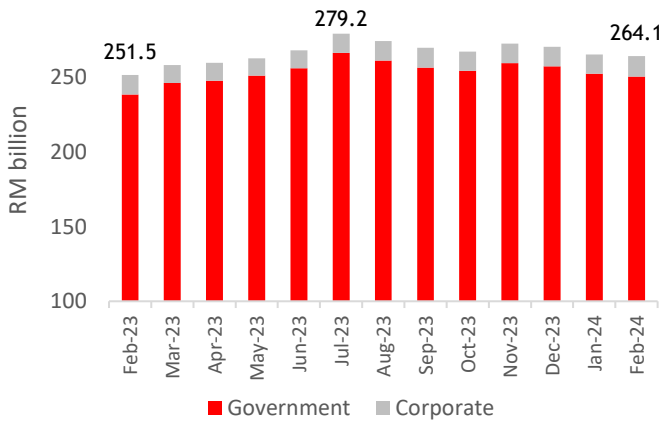
Source: Bloomberg, MIDFR

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



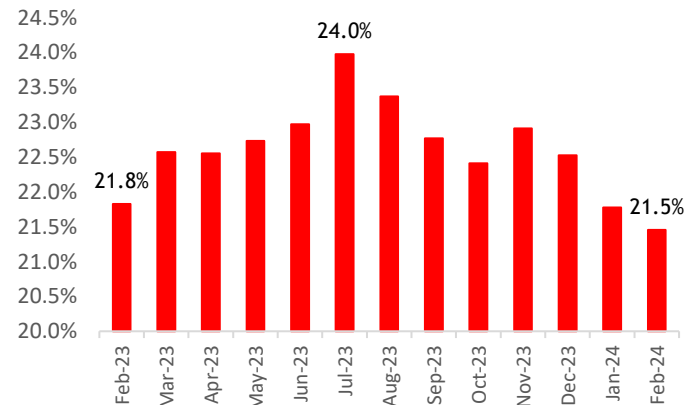
Source: Bloomberg, IMF, MIDFR

**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	4.42	4.35	4.25
Exchange Rate, vs USD (end-period)	4.70	4.59	4.73	4.38	4.32	4.20
10Y Government Bond Yield (average)	3.97	3.91	3.83	3.72	3.63	3.62
10Y Government Bond Yield (end-period)	3.84	3.73	3.85	3.65	3.63	3.60

Source: MIDFR

**March 2024 Key Economic Events**

**1 Mar: Indonesia: Inflation edges up but stays within target** Indonesia's February inflation picked up by 2.8% year-on-year, up 0.4% from the previous month. This was faster than anticipated as food inflation accelerated by 6.4% YoY, up from the 5.8% YoY rise in the previous month.

**4 Mar: Vietnam's bid to exploit US-China chip tensions confronts labour hurdles** The Vietnamese Ministry of Planning and Investment (MPI) revealed the data at the 13th conference on trade, investment, and tourism promotion for the Cambodia - Laos - Vietnam (CLV) Development Triangle held in Attapeu province of Laos on February 27.

**8 Mar: Turkey, US discuss Ukraine, Gaza, ways to improve ties, foreign minister says** Turkish and U.S. officials held comprehensive talks about the wars in Ukraine and Gaza and various bilateral issues during meetings in Washington, Turkey's foreign minister said late on Friday.

**8 Mar: Taiwan's Surprising Drop in Trade Dependence on Mainland China** Although elected with a clear mandate to decrease Taiwan's trade dependence on mainland China, President Tsai Ing-wen met with limited success in her attempt during the first term of her presidency. Indeed, China's proportion of Taiwan's overall exports reached an all-time high (43.9 percent) in 2020.

**19 Mar: Bank of Japan scraps negative interest rate in first hike in 17 years** The Bank of Japan on Tuesday raised the policy short-term rate from -0.1 percent to between zero and 0.1 percent – the first such hike in 17 years.

**22 Mar: Economic conditions in debt-stricken Sri Lanka improving, IMF says** Inflation has come down from a peak of 70 percent in 2022 to 5.9 percent last month and the country's economy expanded in the second half of last year following a year and a half of contraction, the IMF said on Thursday.

**28 Mar: Philippines's Marcos promises action after China's 'dangerous attacks'** President Ferdinand Marcos has said the Philippines will take countermeasures against China after the latest confrontation between the two countries in the disputed South China Sea injured Filipino soldiers and damaged vessels.

**4 Mar: Nepal PM forms new coalition, dumps old allies** Nepal's Prime Minister Pushpa Kamal Dahal named three ministers, including one each from two opposition parties, in a new coalition on Monday, dumping the centrist Nepali Congress party which had dominated his previous government.

**5 Mar: Thailand's consumer prices fall for fifth consecutive month** The headline consumer price index in February decreased by 0.77% from a year earlier, data from the Ministry of Commerce released on Tuesday shows, slightly up from minus 1.11% in January.

**8 Mar: Hike in food prices dampens Ramadan spirit in Bangladesh** Prices for several essential food items continue to rise in Bangladesh ahead of Ramadan, with consumers mostly blaming the government for not keeping costs in check in time for the Islamic fasting month that begins next week.

**11 Mar: China wraps up national congress with eye on sagging economy** China's leaders are wrapping up a weeklong key conclave at which they admitted more was needed to revive a sluggish economy battered by an ailing housing market, poor domestic demand and record-high youth unemployment figures.

**21 Mar: Euro zone business activity close to stabilising in March, PMI survey shows** Euro zone business activity was within a whisker of returning to growth in March, outperforming expectations, according to a survey which showed inflationary pressures bucked a recent trend and eased this month.

**22 Mar: Singapore to restart high-level bilateral forum with China in June: Teo Chee Hean** Senior Minister Teo Chee Hean said the Singapore-China Social Governance Forum is important as an avenue of discussion for many issues that both countries are facing in social governance.

**28 Mar: Canada's GDP rebounds in January, likely up 0.4% in February** Canada's gross domestic product strongly rebounded in January exceeding expectations and February's preliminary estimates point to another expansion, data showed on Thursday, tempering pressure on the Bank of Canada (BoC) for an early rate cut.

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