

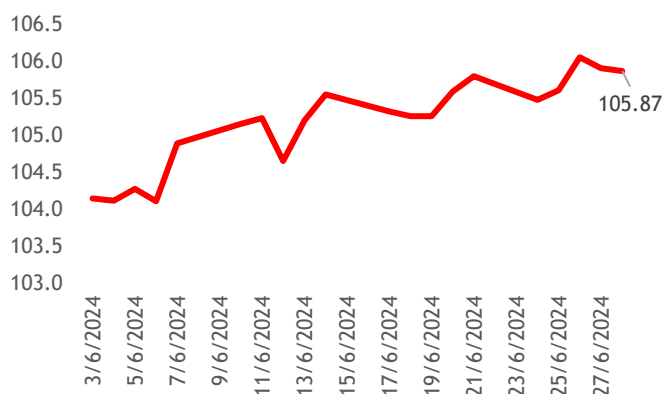
CURRENCY | June-24 Monthly Currency Review

Ringgit Outperformed Regional Currencies in 1HCY24

- The US dollar closed Jun-24 stronger as the DXY dollar index soared +1.1%mom in Jun-24 to 105.87. The monthly average of the dollar index also rose by +0.2%mom to 105.17 (May-24: 104.95).
- The Ringgit depreciated -0.2%mom in Jun-24, closing at RM4.726 by the end of the month. On average, the Ringgit appreciated slightly by +0.1%mom to RM4.711.
- MIDF Trade-Weighted Ringgit Index (TWRI) rose by +0.2%mom to 86.25 in Jun-24 signalling ringgit's outperformance against currencies of Malaysia's trading partners.
- We anticipate the ringgit to appreciate going into the latter part of 2HCY24, and to close the year stronger at approximately RM4.43 (end-2023: RM4.59).
- We expect the MIDF TWRI will continue to reflect a broad appreciation of the ringgit, with the index to conclude the year higher at 91.50 (end-2023: 85.34).

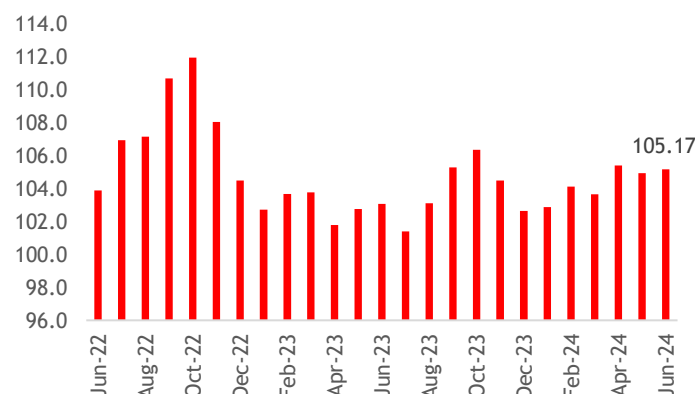
USD rebounded and strengthened in Jun-24. The US dollar closed Jun-24 stronger as the DXY dollar index soared +1.1%mom in Jun-24 to 105.87. The monthly average of the dollar index also rose by +0.2%mom to 105.17 (May-24: 104.95). The US dollar experienced a broad strengthening after closing at its intra-month low of 104.10 on 6 June 2024, which was the weakest level since Mar-24. The subsequent rally of US dollar in the latter part of the month was underpinned by a series of encouraging economic releases, resulting in the dollar index peaking at 106.05 on 26 June 2024, the strongest level last seen in late Apr-24. However, the dollar's strength subsided towards month's end as moderating inflation and rising consumer pessimism led to more dovish rate-cut expectations.

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



Source: Bloomberg, MIDFR

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

USD broadly gained against other currencies. The US dollar continued to outperform all currencies as of Jun-24 with all currencies continued to depreciate year-to-date against the greenback. The Japanese yen remained the worst performing currency, plunging -12.3%ytd following another -2.2%mom depreciation in Jun-

24. Despite depreciating by -2.6ytd against the US dollar, Malaysian ringgit was the best performing regional currency registering the least depreciation against the greenback in 1HCY24.

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

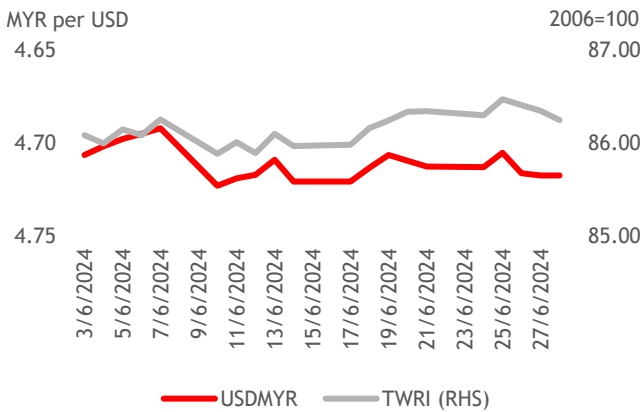
	2020	2021	2022	2023	Jun-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	105.87	+4.5%	+1.1%
USDAUD	1.300	1.377	1.468	1.468	1.519	-2.1%	+0.3%
USDCAD	1.273	1.264	1.355	1.324	1.358	-3.2%	-0.4%
GBPUSD	1.367	1.353	1.208	1.273	1.265	-0.7%	-0.8%
EURUSD	1.222	1.137	1.071	1.104	1.081	-3.0%	-1.2%
USDJPY	103.25	115.08	131.12	141.04	152.14	-12.3%	-2.2%
USDKRW	1,086.5	1,189.9	1,260.3	1,291.1	1,349.9	-6.2%	+0.7%
USDTHB	29.96	33.21	34.61	34.26	36.18	-6.8%	+0.2%
USDTWD	28.09	27.67	30.73	30.58	31.89	-5.7%	+0.1%
USDINR	73.07	74.34	82.74	83.21	83.23	-0.2%	+0.1%
USDVND	23,098	22,826	23,633	24,269	24,953	-4.7%	-0.0%
USDPHP	48.03	50.99	55.74	55.39	56.89	-5.5%	-0.1%
USDMYR	4.020	4.167	4.405	4.594	4.726	-2.6%	-0.2%
USDCNY	6.527	6.356	6.899	7.100	7.214	-2.3%	-0.4%
USDSGD	1.322	1.349	1.340	1.320	1.347	-2.6%	-0.4%
USDIDR	14,050	14,263	15,573	15,399	15,899	-6.0%	-0.7%

Source: Bloomberg, MIDFR

Ringgit reversed previous month's gains. The Ringgit depreciated -0.2%mom in Jun-24, closing at RM4.726 by the end of the month. On average, the Ringgit appreciated slightly by +0.1%mom to RM4.711. Early in the month, the Ringgit trended stronger, peaking at RM4.692 on 7th June 2024. It then swiftly plunged to its monthly low of RM4.723 on 10th June 2024, following renewed strength in the US dollar. Subsequently, the Ringgit struggled to break below the RM4.70 level for the remainder of the month as economic resilience in the US economy supported the continued strength in US dollar.

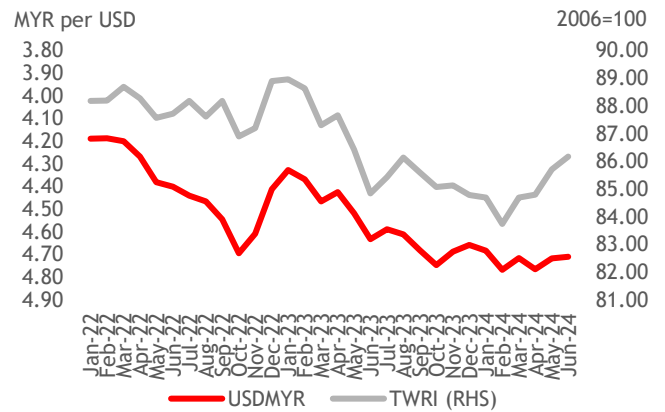
Ringgit strengthened against trading partners' currencies for the 5th consecutive month. On a broader perspective, our MIDF Trade-Weighted Ringgit Index (TWRI) rose by +0.2%mom to 86.25 in Jun-24 signalling ringgit's outperformance against currencies of Malaysia's trading partners. Year-to-date, the index surged by +1.1%ytd. The rise in our MIDF TWRI was mainly underpinned by the ringgit's gains against the Japanese yen (+10.3%ytd), the Korean won (+3.8%ytd) and the Thai baht (+3.8%ytd).

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



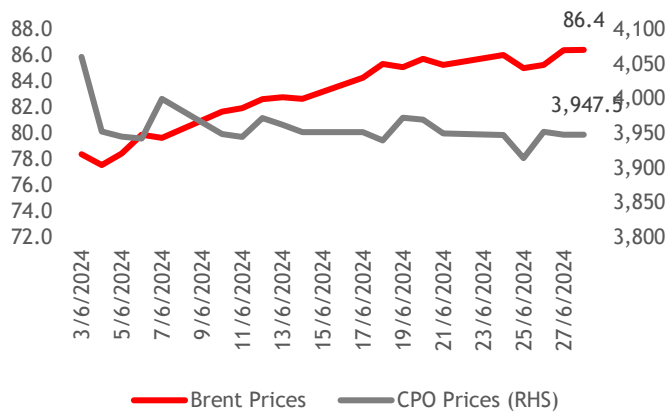
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



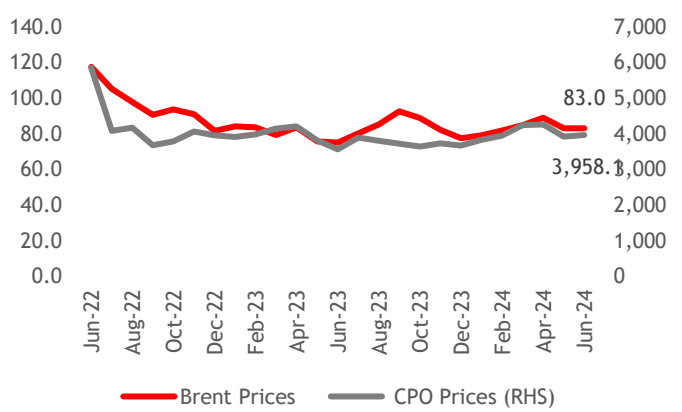
Source: Bloomberg, MIDFR

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 gained against most currencies in Jun-24. As indicated by TWRI improvement, the ringgit appreciated against most regional currencies in Jun-24. Notably, the strong gains were recorded against the Japanese yen (+2.1%mom), Turkish lira (+1.5%mom) and Sri Lankan rupee (+1.3%mom). Ringgit also appreciated against major currencies i.e. the euro (+1.1%mom) and the pound sterling (+0.4%mom).

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

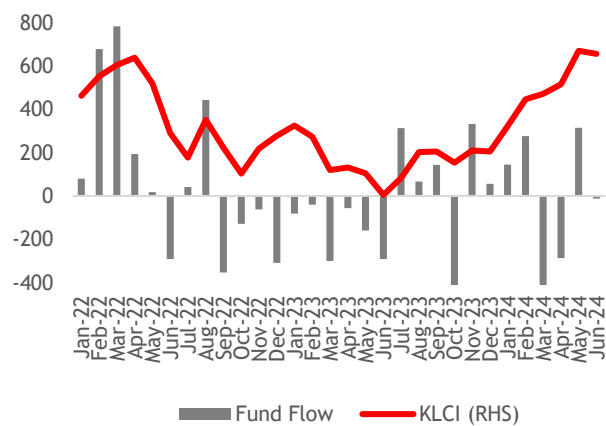
	2020	2021	2022	2023	Jun-24	YTD Change	MoM Change
JPYMYR	3.936	3.775	3.358	3.247	2.932	+11.0%	+2.1%
TRYMYR	0.604	0.479	0.268	0.197	0.144	+7.9%	+1.5%
LKRMYR	0.023	0.021	0.014	0.014	0.015	-8.0%	+1.3%
IDRMYR	0.029	0.029	0.030	0.030	0.029	+3.6%	+0.5%
CNYMYR	0.609	0.642	0.654	0.644	0.649	-0.5%	+0.1%
PHPMYR	0.085	0.084	0.081	0.082	0.080	+3.2%	+0.0%
BDTMYR	4.952	4.873	4.725	4.225	4.019	+4.0%	-0.1%
NPRMYR	0.035	0.035	0.035	0.035	0.035	-2.3%	-0.2%

	2020	2021	2022	2023	Jun-24	YTD Change	MoM Change
VNDMYR	0.181	0.181	0.188	0.191	0.185	+2.1%	-0.3%
TWDMYR	0.143	0.148	0.148	0.146	0.145	+3.3%	-0.3%
THBMYR	13.430	12.965	12.559	13.107	12.847	+4.3%	-0.4%
KRWMYR	0.356	0.362	0.341	0.349	0.343	+3.8%	-0.9%
EURMYR	4.795	4.901	4.629	4.933	5.052	+0.5%	+1.1%
GBPMYR	5.391	5.701	5.432	5.673	5.967	-2.2%	+0.4%
CADMYR	3.134	3.306	3.381	3.379	3.445	+0.7%	+0.1%
SGDMYR	3.047	3.084	3.191	3.396	3.481	-0.1%	+0.0%
USDMYR	4.201	4.144	4.401	4.561	4.718	-2.6%	-0.2%

Source: Bloomberg, MIDFR

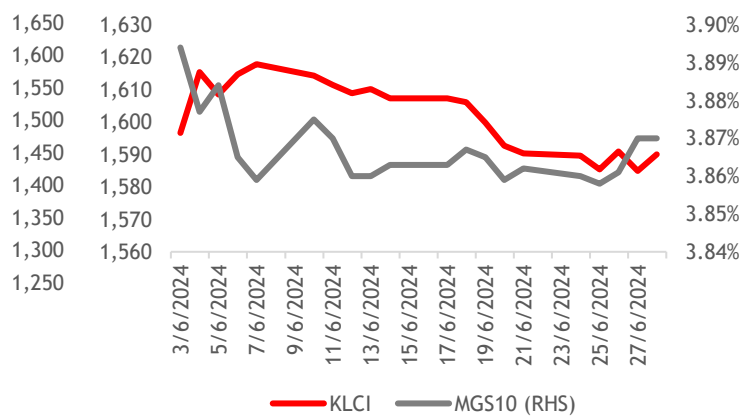
Foreigners net sold Malaysian equities in Jun-24. Foreign investors net sold -USD12.61m of Malaysian equities in Jun-24 (Apr-24: +USD314.25m). In terms of foreign flows into domestic bond market, the latest available data indicates that foreign holdings of Malaysian bonds marked the third consecutive month of increase, reaching RM271.9 billion in May-24 (Apr-24: RM266.4 billion). The declining yields in Jun-24 suggest the possibility of foreign inflows continuing into Jun-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 Jun-24



Source: Bloomberg, MIDFR

Ringgit to strengthen towards end-2024 as Fed moves closer to rate cuts. We anticipate the ringgit to appreciate going into the latter part of 2HCY24, and to close the year stronger at approximately RM4.43 (end-2023: RM4.59). The influx of foreign funds into emerging markets, particularly in light of the anticipated reduction of the Fed's FFR, is expected to benefit regional currencies and the ringgit. However, the sustained strength of the US dollar throughout the 1HCY24 has pushed the ringgit's average weaker at RM4.73. Consequently, we recently revised our expectations for the ringgit's 2024 average downward to RM4.64 (2023 average: RM4.56). Despite our optimism for the ringgit's appreciation in the latter part of 2024, we remain cautious of downside risks, primarily arising from external factors. For instance, weaker growth in China and the US as well as the escalating geopolitical tensions could negatively impact Malaysia's external trade recovery, thereby reducing support for the ringgit. Furthermore, the extended strength of the US dollar, particularly if the

Fed delays rate cuts further due to persistently high inflation or stronger-than-expected US economic growth, will also weaken the ringgit's prospects to appreciate.


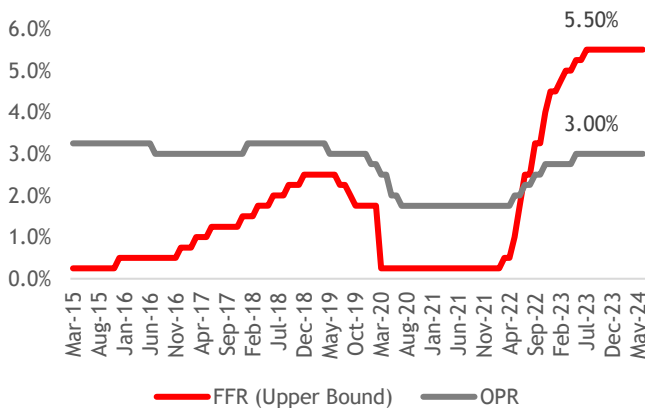
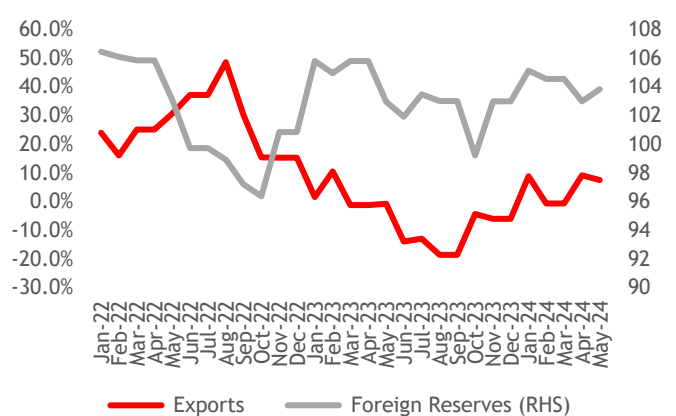
Upholding our projection for the MIDF TWRI to close the year higher at 91.50. Despite the Ringgit's depreciation against the US dollar, we expect the ringgit's performance against other currencies in the MIDF TWRI index to largely remain positive. The expected recovery in Malaysia's external trade and an optimistic economic outlook are poised to bolster the ringgit's performance this year. In addition, elevated commodity prices would also drive increased demand for the ringgit. Furthermore, the ringgit will likely benefit from anticipated policy easing by major central banks; vis-à-vis BNM is expected to maintain the OPR at 3.00% this year. Consequently, we expect the MIDF TWRI will continue to reflect a broad appreciation of the ringgit, with the index to conclude the year higher at 91.50 (end-2023: 85.34). 

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



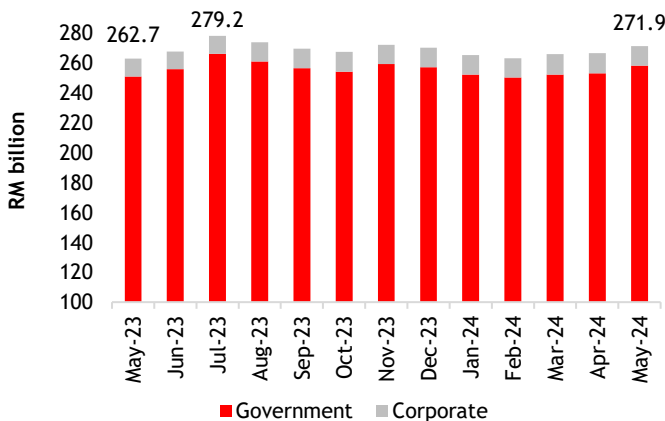
Source: Bloomberg, MIDFR

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



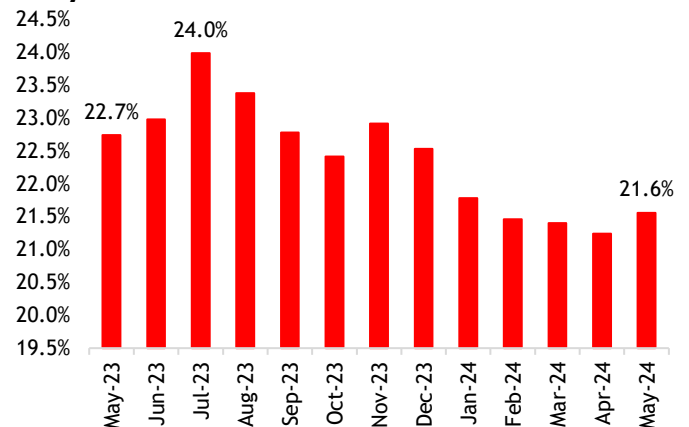
Source: Bloomberg, IMF, MIDFR

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	2Q24	3Q24f	4Q24f
Exchange Rate, vs USD (average)	4.63	4.70	4.72	4.73	4.57	4.53
Exchange Rate, vs USD (end-period)	4.70	4.59	4.72	4.72	4.56	4.43
10Y Government Bond Yield (average)	3.97	3.91	3.83	33.6	3.86	3.74
10Y Government Bond Yield (end-period)	3.84	3.73	3.85	3.87	3.80	3.68

Source: MIDFR

June 2024 Key Economic Events

4 Jun: World Bank retains 5.8 pct Philippine economic growth forecast The Philippine economy is projected to grow by 5.8 percent in 2024 on the back of the manufacturing sector's recovery and the improving services sector, the World Bank said Tuesday.

7 Jun: European Central Bank cuts interest rates The European Central Bank (ECB) has cut interest rates by 25 basis points, lowering its deposit rate to 3.75%. This had been at a record high and saw the ECB joining the likes of Canada, Sweden and Switzerland in lowering rates.

10 Jun: Japan's economy is shrinking, although slightly less than previously thought The Japanese economy shrank at an annual rate of 1.8% in the first quarter of this year, slightly better than the initial estimate at a 2.0% contraction, according to revised government data Monday.

17 Jun: Sri Lankan economy bounces back as inflation dips The 5.3 per cent expansion in January-March marked an increase from the previous three months and was a huge improvement on the 10.7 per cent contraction in the same quarter last year.

20 Jun: Taiwan export orders rise 7% in May Taiwan's export orders rose by 7% in May compared to the same month last year, the Ministry of Economic Affairs (MOEA) said Thursday (June 20).

27 Jun: Bank of Thailand sees economic stability from Q3 The Bank of Thailand (BOT) expects the economy to start stabilising from the third quarter thanks to accelerated growth and potential to meet the 2.6% expansion target this year.

28 Jun: Canada's economy grows 0.3% in April, in line with estimates Canada's real gross domestic product (GDP) grew 0.3% in April, the country's statistical body said Friday.

4 Jun: China eyes closer ties with Turkey to take on global 'power politics' China is ready to strengthen strategic alignment with Turkey to counter "power politics" on the international stage, Chinese Foreign Minister Wang Yi told his Turkish counterpart, Hakan Fidan, in Beijing on Tuesday.

10 Jun: Bangladesh economy on course for expansion Bangladesh economy is seen on course for expansion as a parameter styled Purchasing Managers' Index (PMI) sows a rise by 7.9 points from the previous month to 70.1 in its reading.

17 Jun: China's factory output disappoints, property sector stuck in doldrums May industrial output grew 5.6% from a year earlier, National Bureau of Statistics (NBS) data showed, slowing from the 6.7% pace in April and below expectations for a 6.0% increase in a Reuters poll of analysts.

19 Jun: Indonesia surpasses Japan and UK, rises to 27th in competitiveness rankings In the Institute for Management Development (IMD) World Competitiveness Ranking (WCR) 2024, Indonesia ranks 27th out of 67 countries compared to 34th in 2023.

27 Jun: Nepal economy shifts away from farming Agriculture now contributes less than 25% to Nepal's economy, and this is down from 81% three decades ago. The number of Nepalis engaged in the service sector used to be only 16% at that time, and today it has gone up to 29%.

28 Jun: S'pore PM seeks stronger ties with Malaysia on Causeway centennial anniversary Singapore Prime Minister Lawrence Wong looks forward to strengthening the relationship and ensuring more win-win projects with Malaysia, in conjunction with the centennial anniversary of the Causeway.

29 Jun: Economic rising as IMF says Vietnam 2024 GDP growth seen at close to 6% The International Monetary Fund (IMF) said that Vietnam's economic growth is expected to be close to 6% this year, supported by strong external demand, resilient foreign investment and accommodative policies.

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