

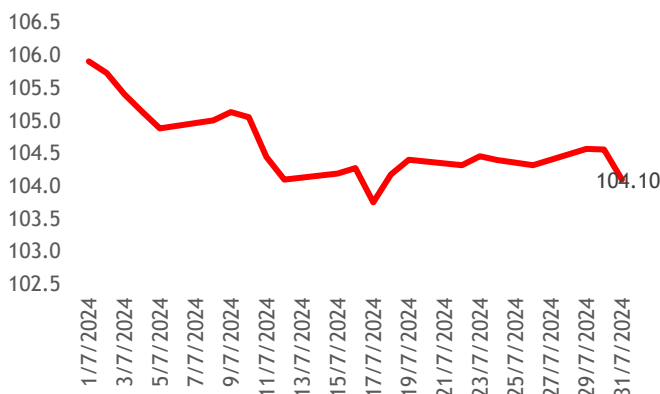
CURRENCY | July-24 Monthly Currency Review

Ringgit Erased Losses to Rebound in Jul-24

- The US dollar closed Jul-24 weaker as the DXY dollar index plunged -1.7%mom to 104.10. The monthly average of the dollar index also declined by -0.5%mom to 104.63 (Jun-24: 105.17).
- The ringgit appreciated +2.8%mom to RM4.591 in Jul-24, erasing all its losses during the 1HCY24 and gaining slightly against the USD (+0.1%ytd).
- MIDF Trade-Weighted Ringgit Index (TWRI) rose by +1.8%mom to 87.76 in Jul-24 gaining against all currencies within the index but the Japanese yen and the Thai baht.
- As the ringgit strengthened further beyond the RM4.60 mark, we foresee ringgit would appreciate further in 2HCY24 and end the year at RM4.43 (end-2023: RM4.59).
- We foresee the MIDF TWRI reflecting a broad appreciation of the ringgit against other currencies, with the index forecasted to conclude the year higher at 91.50 (end-2023: 85.34).

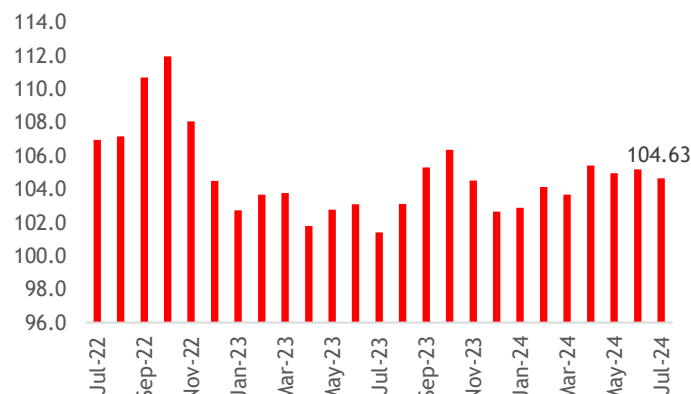
USD weaken as expectations for interest rate cut heightened. The US dollar closed Jul-24 weaker as the DXY dollar index plunged -1.7%mom to 104.10. The monthly average of the dollar index also declined by -0.5%mom to 104.63 (Jun-24: 105.17). The USD started the month at its intra-month high before experiencing a broad weakening as a series of data releases pointed towards a softer economic data, especially the continued moderation in inflation and more signs of cooling in the labour market, bolstering the case for Fed rate cut soon. Additionally, despite keeping the FFR steady as market expected, the more dovish tone following Jul-24 FOMC Meeting contributed towards further subsiding in the US dollar's strength.

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



Source: Bloomberg, MIDFR

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

USD maintained its appreciation over most currencies. The US dollar maintained its gains against most currencies, with most still depreciating year-to-date against the greenback in Jul-24. The Taiwan dollar (-6.8%ytd) surpassed the Japanese yen (-6.0%ytd) as the worst performing currency against the greenback, as

the Japanese yen appreciated following the BOJ's decision to hike its policy interest rate. The ringgit (+0.1%ytd) is the only regional currency we track to recover from its losses earlier this year and the pound (+1.0%ytd) is the only other major currency to appreciate against the US dollar.

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

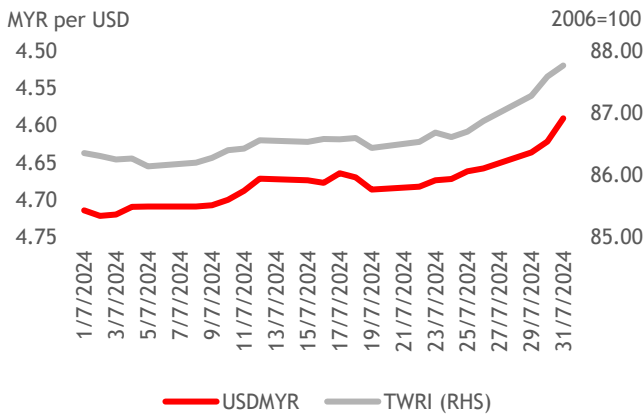
	2020	2021	2022	2023	Jul-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	104.10	+2.7%	-1.7%
GBPUSD	1.367	1.353	1.208	1.273	1.268	+1.0%	+1.7%
EURUSD	1.222	1.137	1.071	1.104	1.082	-1.9%	+1.1%
USDAUD	1.300	1.377	1.468	1.468	1.516	-4.0%	-1.9%
USDCAD	1.273	1.264	1.355	1.324	1.360	-4.1%	-0.9%
USDJPY	103.25	115.08	131.12	141.04	152.96	-6.0%	+7.3%
USDPHP	48.03	50.99	55.74	55.39	57.13	-5.1%	+0.4%
USDMYR	4.020	4.167	4.405	4.594	4.719	+0.1%	+2.8%
USDINR	73.07	74.34	82.74	83.21	83.29	-0.6%	-0.4%
USDSGD	1.322	1.349	1.340	1.320	1.347	-1.2%	+1.5%
USDCNY	6.527	6.356	6.899	7.100	7.221	-1.8%	+0.6%
USDTHB	29.96	33.21	34.61	34.26	36.19	-3.6%	+3.4%
USDVND	23,098	22,826	23,633	24,269	25,016	-3.9%	+0.8%
USDIDR	14,050	14,263	15,573	15,399	15,951	-5.3%	+0.7%
USDKRW	1,086.5	1,189.9	1,260.3	1,291.1	1,354.8	-5.8%	+0.4%
USDTHW	28.09	27.67	30.73	30.58	32.01	-6.8%	-1.2%

Source: Bloomberg, MIDFR

Ringgit started 2HCY24 on the right foot against the dollar. The ringgit appreciated +2.8%mom to RM4.591 in Jul-24, erasing all its losses during the 1HCY24 and gaining slightly against the USD (+0.1%ytd). The ringgit's broad strengthening throughout the month aligns with the gradual weakening of the USD on the back of heightened expectations for Fed rate cuts. Ringgit's performance against the greenback significantly outperformed most other regional currencies, supported by robust economic fundamentals and renewed foreign interest in the domestic equity market.

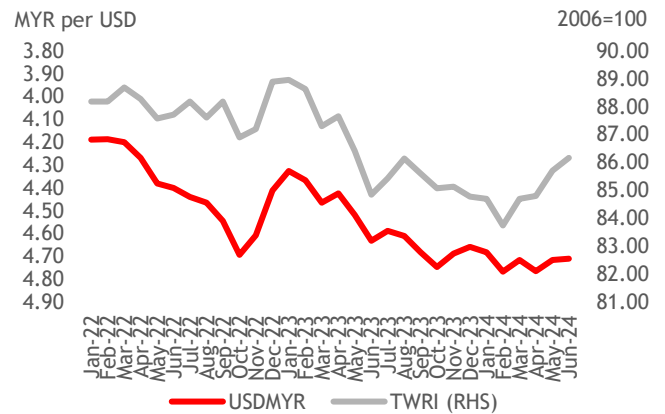
USD no longer a drag in TWRI. On a broader perspective, our MIDF Trade-Weighted Ringgit Index (TWRI) rose by +1.8%mom to 87.76 in Jul-24 gaining against all currencies within the index but the Japanese yen and the Thai baht. Year-to-date, the index soared +2.8%ytd, as the ringgit rebounded against the US dollar. As of end-Jul-24, the rise in our MIDF TWRI this year was mainly underpinned by the ringgit's gains against the Taiwan dollar (+6.8%ytd), the Japanese yen (+6.1%ytd) and the South Korean won (+6.3%ytd).

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



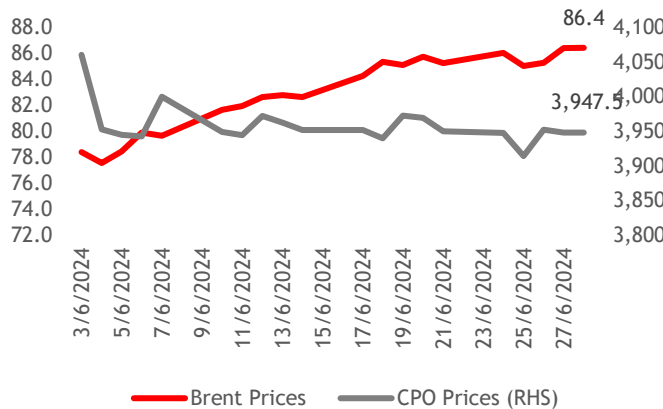
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



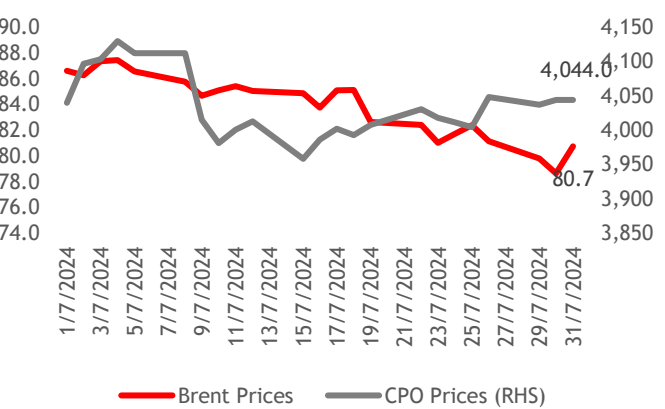
Source: Bloomberg, MIDFR

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 other currencies in Jul-24. Notably, Ringgit’s strong gains in Jul-24 were recorded against the Taiwan dollar (+4.0%mom), Turkish lira (+3.9%mom) and Canadian dollar (+3.9%mom). Ringgit also appreciated against major currencies i.e. the euro (+1.7%mom) and the pound sterling (+1.3%mom).

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

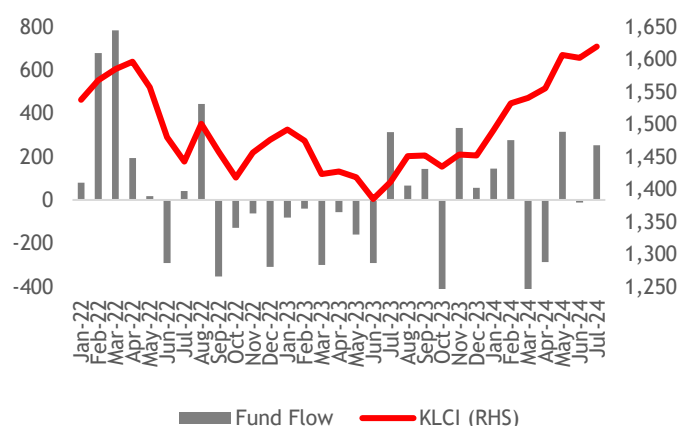
	2020	2021	2022	2023	Jul-24	YTD Change	MoM Change
TRYMYR	0.604	0.479	0.268	0.197	0.138	+12.1%	+3.9%
TWDMYR	0.143	0.148	0.148	0.146	0.140	+7.4%	+4.0%
BDTMYR	4.952	4.873	4.725	4.225	3.906	+7.0%	+2.9%
KRWMYR	0.356	0.362	0.341	0.349	0.335	+6.3%	+2.4%
IDRMYR	0.029	0.029	0.030	0.030	0.028	+5.7%	+2.1%
PHPMYR	0.085	0.084	0.081	0.082	0.079	+5.6%	+2.3%
VNDMYR	0.181	0.181	0.188	0.191	0.182	+4.2%	+2.0%

	2020	2021	2022	2023	Jul-24	YTD Change	MoM Change
THBMYR	13.430	12.965	12.559	13.107	12.875	+4.1%	-0.2%
CNYMYR	0.609	0.642	0.654	0.644	0.635	+1.7%	+2.2%
NPRMYR	0.035	0.035	0.035	0.035	0.034	+0.8%	+3.2%
LKRMYR	0.023	0.021	0.014	0.014	0.015	-6.5%	+1.7%
JPYMYR	3.936	3.775	3.358	3.247	3.061	+6.3%	-4.2%
CADMYR	3.134	3.306	3.381	3.379	3.316	+4.6%	+3.9%
EURMYR	4.795	4.901	4.629	4.933	4.970	+2.1%	+1.7%
SGDMYR	3.047	3.084	3.191	3.396	3.429	+1.4%	+1.5%
USDMYR	4.201	4.144	4.401	4.561	4.591	+0.1%	+2.8%
GBPMYR	5.391	5.701	5.432	5.673	5.891	-0.9%	+1.3%

Source: Bloomberg, MIDFR

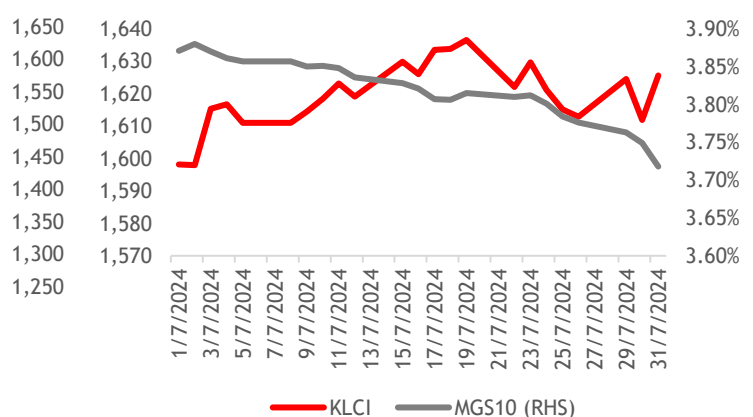
Foreigners returned into domestic equity market. Foreign investors net bought +USD253.38m of Malaysian equities in Jul-24 (Jun-24: -USD-12.61m). In terms of foreign flows into the domestic bond market, the latest available data saw foreign holding of Malaysian bonds fell for the first time in 4 months to RM271.3b in Jun-24 (May-24: RM271.9b). However, the sharp decline in MGS yields in Jul-24 suggests foreign funds may have returned to the debt market in Jul-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 Jul-24



Source: Bloomberg, MIDFR

Ringgit on track to appreciate towards RM4.43 As the ringgit strengthened further beyond the RM4.60 mark, we foresee ringgit would appreciate further in 2H24 and end the year at RM4.43 (end-2023: RM4.59). The return of foreign funds into emerging markets, particularly in light of the anticipated reduction of the Fed's FFR and the narrowing interest differentials, is expected to support regional currencies including the ringgit. However, due to the prolonged strength of the US dollar we estimate ringgit will be averaging higher this year at RM4.64 (2023 average: RM4.56). While we are optimistic about the ringgit's appreciation in the latter part of 2024, we remain vigilant of potential downside risks, particularly from external factors. For example, weaker growth in China and the US and the escalating geopolitical tensions could adversely affect Malaysia's external trade recovery, thereby diminishing support for the ringgit. Furthermore, the sustained strength of the USD, especially if the Fed delays rate cuts possibly due to persistently elevated inflation or stronger-than-expected US economic growth, will also impair the ringgit's appreciation prospects.


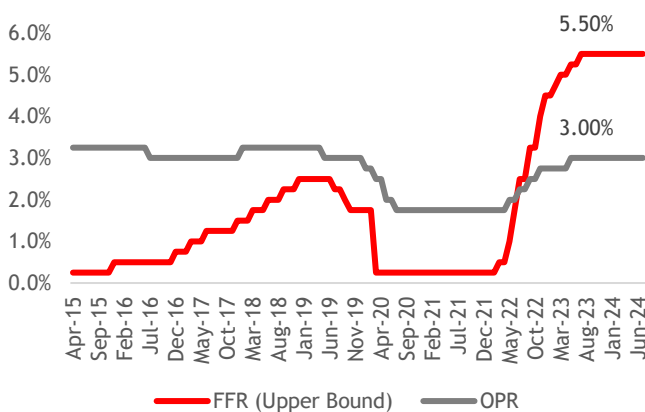
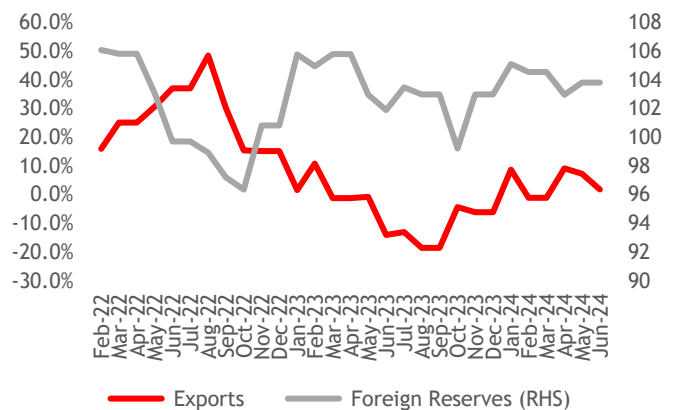
MIDF TWRI to close the year higher at 91.5. As the ringgit rebounded against the dollar, all major currencies within the index are supportive for it to rise higher. The anticipated recovery in Malaysia's external trade, coupled with an optimistic economic outlook, is expected to support the ringgit's performance this year. Moreover, ringgit stands to gain from the anticipated policy easing by major central banks with BNM projected to maintain the OPR at 3.00% throughout the year. Consequently, we foresee the MIDF TWRI reflecting a broad appreciation of the ringgit against other currencies, with the index forecasted to conclude the year higher at 91.50 (end-2023: 85.34). 

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



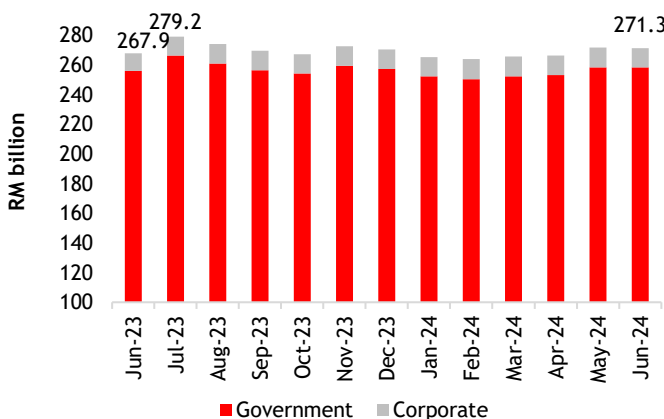
Source: Bloomberg, MIDFR

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



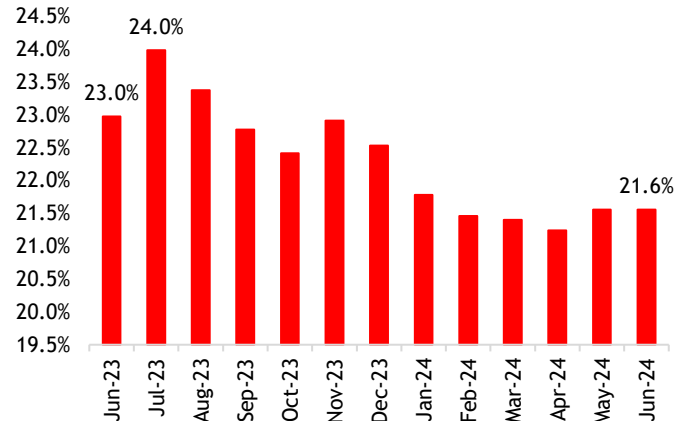
Source: Bloomberg, IMF, MIDFR

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	3.83	3.86	3.74
10Y Government Bond Yield (end-period)	3.84	3.73	3.85	3.87	3.80	3.68

Source: MIDFR

July 2024 Key Economic Events

1 Jul: Japan's economy shrank more than estimated in first quarter Japan's real GDP shrank 2.9 per cent year on year in January to March, down from an earlier estimate of a 1.8 per cent contraction, the revised data showed.

6 Jul: Vietnam's Accelerating 2024 Economic Growth Could Hit 7% Vietnam's economic growth is accelerating and could meet or exceed the government's 6.5% target this year, according to Planning and Investment Minister Nguyen Chi Dung.

15 Jul: The most immediate threat to China's economy isn't external. It's internal. China's economy grew 4.7% in the second quarter of this year from a year ago, according to the National Bureau of Statistics — missing the 5.1% growth analysts polled by Reuters had expected.

18 Jul: Philippines economy grows by 6.1% on average during Marcos' term Economic managers earlier said Philippine economic growth from the third quarter of 2022 to the first quarter of 2024 hit an average of 6.1 percent.

24 Jul: Bank of Canada cuts interest rates once more, trims growth prospects The Bank of Canada has trimmed its key policy rate by 25 basis points for the second month in a row, bringing it down to 4.5 percent, and said more cuts were likely if inflation continued to cool in line with forecasts.

29 Jul: Taiwan Q2 economic growth seen slowing, but supported by AI boom: Reuters poll Gross domestic product (GDP) in April-June was expected to have expanded 4.8% from a year earlier, down from 6.56% in the first quarter, according to the median forecast of a poll of 25 economists.

31 Jul: PM Oli urges Swiss govt to facilitate foreign direct investment in Nepal Prime Minister KP Sharma Oli has called on the Swiss government to assist in attracting more foreign direct investment (FDI) to support Nepal's economic development and prosperity.

3 Jul: Bangladesh to Tap China for \$5 Billion Loan to Boost Economy Bangladesh is in talks with China for a loan of about \$5 billion to bolster the nation's dwindling foreign-exchange reserves, the central bank governor said, drawing the South Asian country closer to Beijing.

7 Jul: Indonesia's Prabowo-gibran Administration Expected To Strengthen Palm Oil The next government, which will be led by Prabowo Subianto-Gibran Rakabuming Raka, is expected to strengthen the competitiveness of palm oil products as a strategic commodity for domestic and foreign markets, a scholar said, reported Indonesian News Agency

15 Jul: Thai economy faces upheaval due to factory closures and cheap Chinese imports Thailand has witnessed nearly 2,000 factory closures in the last year, upending its manufacturing sector that contributes nearly a quarter of its gross domestic product (GDP).

19 Jul: Dark days for Turks as Erdogan atones for economic errors Many Turks feel anxious and ashamed about their eroding living standards, paying the price for President Tayyip Erdogan's past economic missteps even as there are signs that the country is beginning to exit its cost-of-living crisis.

26 Jul: Sri Lanka to hold first presidential election after economic collapse Sri Lanka will hold its first presidential election since the country sank into a deep economic crisis two years ago. The vote to be held September 21, will be a referendum on the reforms that have helped stabilize the economy but also led to hardship for millions in the island nation.

30 Jul: German economy unexpectedly shrinks, inflation ticks higher Germany's gross domestic product contracted by 0.1% in the second quarter compared with the previous three-month period, preliminary data from the statistics office showed on Tuesday.

31 Jul: Unemployment rate in Singapore down across the board in June: MOM report The Ministry of Manpower (MOM) said in its report on the data that the unemployment rate of Singaporeans fell from 3 per cent in May 2024 to 2.8 per cent in June 2024.

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