

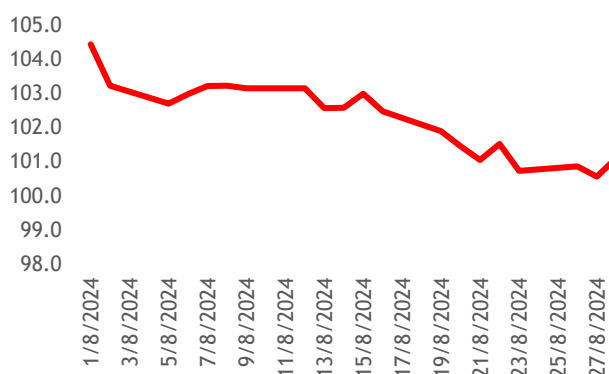
CURRENCY | Aug-24 Monthly Currency Review

Ringgit Gained Further from Growing Expectations for Rate Cuts by the Fed

- *USD weakened with growing expectations for rate cuts. The US dollar fell further in Aug-24 with the DXY dollar index decreasing by -2.3%mom to 101.70. The monthly average of the dollar index also declined at the same rate of -2.3%mom to 102.21 (Jul-24: 104.63).*
- *Demand for ringgit continued to pick up. The gains recorded by the local currency persisted into Aug-24 with the ringgit surging further by +6.2%mom in Aug-24, translating into year-to-date's appreciation at +6.3%ytd.*
- *TWRI rose to the highest since 2020. On a broader perspective, our MIDF Trade-Weighted Ringgit Index (TWRI) rose strongly by +4.0%mom to 91.30 in Aug-24. The average TWRI rose to 90.03 which was the highest level last seen early 2020.*
- *Ringgit on track to appreciate towards newly revised number of RM4.23. We foresee there is room for ringgit to appreciate further and to end the year at RM4.23 (end-2023: RM4.59).*
- *MIDF TWRI to close the year higher at 93.0. The ringgit is also poised to continue performing better against other currencies, which would push our MIDF Trade-Weighted Ringgit Index to end the year around 93.0 (end-2023: 85.34).*

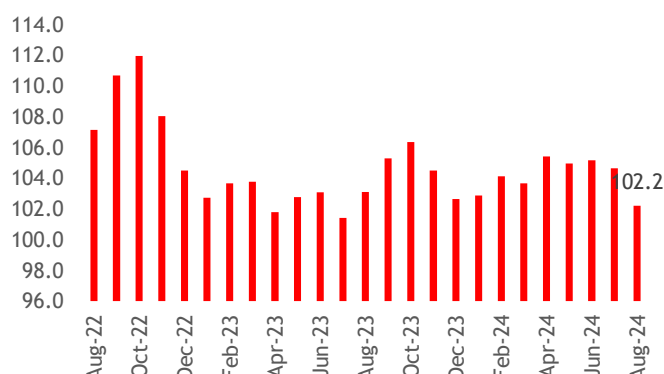
USD weakened with growing expectations for rate cuts. The US dollar fell further in Aug-24 with the DXY dollar index decreasing by -2.3%mom to 101.70. The monthly average of the dollar index also declined at the same rate of -2.3%mom to 102.21 (Jul-24: 104.63). The renewed concerns over recession risk in the US economy following weaker-than-expected job growth and higher jobless rate as well as cooling inflation in Jul-24 led to heightened expectations for the Fed to begin policy easing. This was further reinforced by the dovish signal by the Fed Chairman at the Jackson Hole symposium that the Fed would consider pivoting and start easing the level of policy restrictiveness on the economy at the next FOMC meeting. Consequently, the DXY dollar index trended lower and touched 1-year low of 100.55 on 27 August 2024. However, the dollar regained some of the losses in the last few days of Aug-24 as the stronger GDP growth in 2QCY24 suggests the pace of policy easing may not be too aggressive given the continued resilience in the economy and job market.

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



Source: Bloomberg, MIDF

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

USD weakened its appreciation over most currencies. The US dollar weakened against major and regional currencies in Aug-24. In other words, other currencies continued appreciated last month, particularly the Australian dollar (+3.4%mom) which surpassed the Japanese yen (+2.6%mom) as the best performing major currency against the greenback, despite the Reserve Bank of Australia's decision to keep its cash rate unchanged at 4.35% after the Aug-24 policy meeting. More significant month-on-month strengthening was recorded by regional currencies, namely the Malaysian ringgit (+6.2%mom) which was the best regional currency to recover from its losses earlier this year and followed by Indonesian rupiah (+5.2%mom) and Thai baht (+4.4%mom), with the exception of the Indian rupee which weakened during the month (-0.2%mom).

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

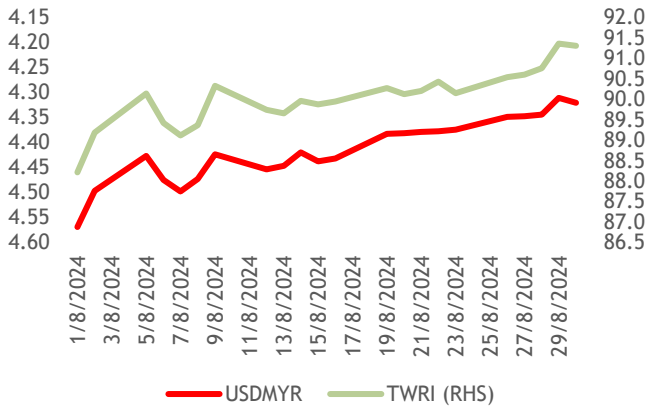
	2020	2021	2022	2023	Aug-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	101.70	+0.4%	-2.3%
GBPUSD	1.367	1.353	1.208	1.273	1.313	+3.1%	+2.1%
USDSGD	1.322	1.349	1.340	1.320	1.307	+1.0%	+2.2%
EURUSD	1.222	1.137	1.071	1.104	1.105	+0.1%	+2.1%
USDAUD	1.300	1.377	1.468	1.468	1.478	-0.7%	+3.4%
USDCAD	1.273	1.264	1.355	1.324	1.349	-1.8%	+2.3%
USDJPY	103.25	115.08	131.12	141.04	146.17	-3.5%	+2.6%
USDMYR	4.020	4.167	4.405	4.594	4.321	+6.3%	+6.2%
USDTHB	29.96	33.21	34.61	34.26	34.04	+0.6%	+4.4%
USDCNY	6.527	6.356	6.899	7.100	7.091	+0.1%	+1.9%
USDIDR	14,050	14,263	15,573	15,399	15,455	-0.4%	+5.2%
USDINR	73.07	74.34	82.74	83.21	83.87	-0.8%	-0.2%
USDPHP	48.03	50.99	55.74	55.39	56.15	-1.4%	+4.0%
USDVND	23,098	22,826	23,633	24,269	24,875	-2.4%	+1.6%
USDKRW	1,087	1,190	1,260	1,291	1,338	-3.5%	+2.5%
USDTWD	28.09	27.67	30.73	30.58	31.96	-4.3%	+2.7%

Source: Bloomberg, MIDFR

Demand for ringgit continued to pick up. The gains recorded by the local currency persisted into Aug-24 with the ringgit surging further by +6.2%mom in Aug-24, on top of the +2.8%mom gain in Jul-24. This has pushed the ringgit's year-to-date's appreciation against the US dollar to +6.3%ytd, where the closing at RM4.321 as at end-Aug-24 was the strongest level last seen in Feb-23. As a result, the Ringgit was the best performing currency vis-à-vis US dollars and other currencies. Apart from the weakening of US dollar, we believe the ringgit's remarkable performance in Aug-24 reflected the greater appeal among investors to increase exposure to the domestic capital market, given the positive economic fundamentals as reflected by the stronger economic growth in 2QCY24, more robust domestic economic activities and continued recovery in the external trade activity.

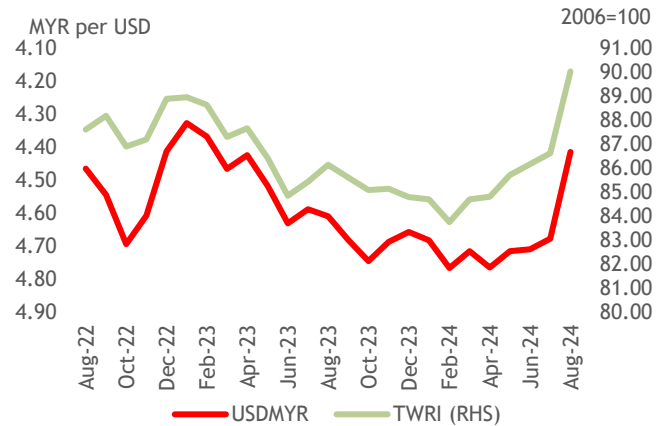
TWRI rose to the highest since 2020. On a broader perspective, our MIDF Trade-Weighted Ringgit Index (TWRI) rose strongly by +4.0%mom to 91.30 in Aug-24. The average TWRI rose to 90.03 which was the highest level last seen early 2020, as ringgit appreciated against all currencies within the index. On the year-to-date basis, the index soared +7.0%ytd, particularly boosted by the continued strengthening of ringgit against the US dollar. In addition, the rise in our MIDF TWRI this year was mainly underpinned by the ringgit's gains in Aug-24 against the Taiwan dollar (+10.6%ytd), South Korean won (+10.2%ytd) and Vietnamese dong (+9.0%ytd).

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



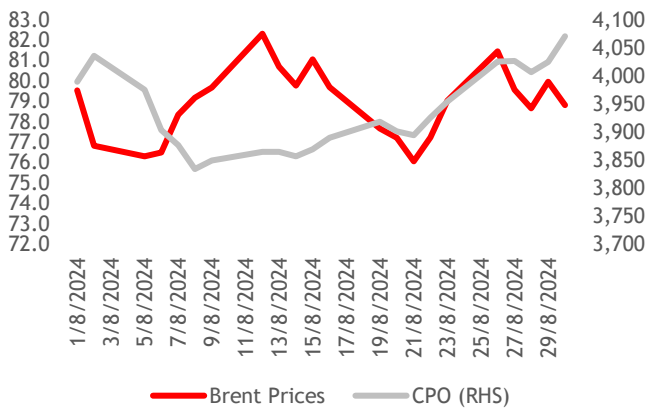
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



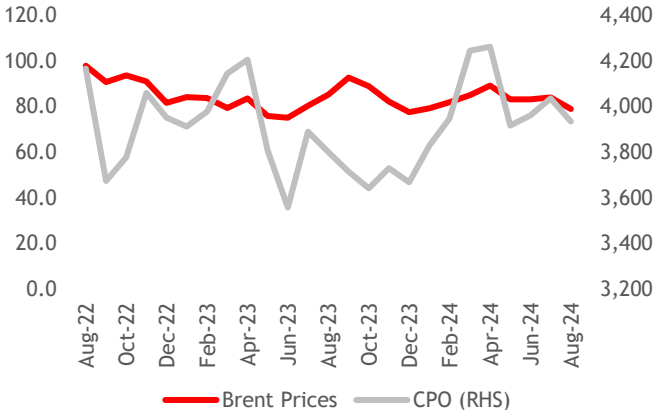
Source: Bloomberg, MIDFR

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 all the selected currencies in Aug-24. Notably, the Ringgit's strong gains in Aug-24 were mainly recorded against the Turkish Lira (+9.1%mom), Bangladesh Taka (+7.4%mom), Nepalese Rupee (+6.4%mom), US dollar (+6.2%mom) and Sri Lankan Rupees (+5.2%mom). The Ringgit also appreciated against the major currencies i.e. euro (+3.8%mom) and pound sterling (+3.4%mom).

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

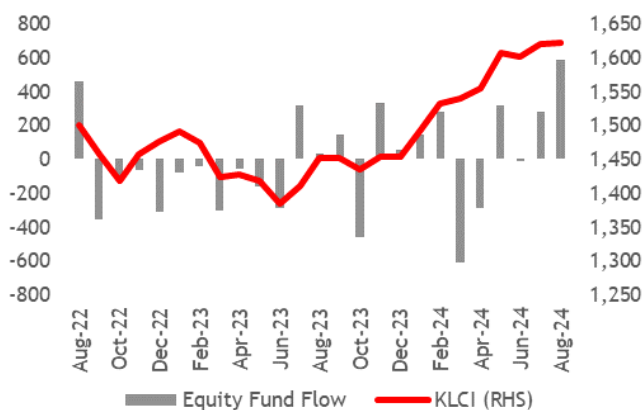
	2020	2021	2022	2023	Aug-24	YTD Change	MoM Change
CADMYR	3.156	3.271	3.251	3.467	3.206	+8.1%	+3.4%
USDMYR	4.020	4.167	4.405	4.594	4.321	+6.3%	+6.2%
EURMYR	4.946	4.719	4.693	5.076	4.788	+6.0%	+3.8%
SGDMYR	3.043	3.086	3.283	3.478	3.317	+4.8%	+3.4%
GBPMYR	5.495	5.631	5.299	5.837	5.696	+2.5%	+3.4%
TRYMYR	0.541	0.312	0.235	0.155	0.127	+22.4%	+9.1%
BDTMYR	4.751	4.831	4.271	4.181	3.621	+15.4%	+7.9%
TWDMYR	0.143	0.151	0.143	0.150	0.135	+11.1%	+3.4%
KRWMYR	0.370	0.350	0.350	0.356	0.323	+10.2%	+3.7%
JPYMYR	3.891	3.620	3.358	3.255	2.956	+10.1%	+3.6%

	2020	2021	2022	2023	Aug-24	YTD Change	MoM Change
VNDMYR	0.174	0.183	0.187	0.189	0.174	+9.0%	+4.6%
PHPMYR	0.084	0.082	0.079	0.083	0.077	+7.8%	+2.1%
NPRMYR	0.034	0.035	0.033	0.035	0.032	+7.2%	+6.4%
IDRMYR	0.029	0.029	0.028	0.030	0.028	+6.8%	+1.0%
CNYMYR	0.616	0.655	0.638	0.646	0.609	+6.0%	+4.2%
THBMYR	13.38	12.56	12.75	13.40	12.74	+5.2%	+1.1%
LKRMYR	0.022	0.021	0.012	0.014	0.014	-1.6%	+5.2%

Source: Bloomberg, MIDFR

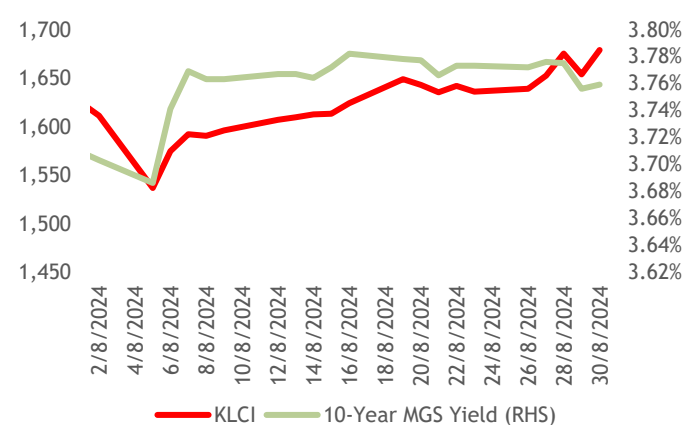
Another month of foreign inflows into equity market. The month of Aug-24 was the second consecutive month of increased net purchases by foreign investors of Malaysian equities by +RM586.52m (Jul-24: +USD281.91m), which was the largest net inflows since Mar-22. In terms of foreign flows into the domestic bond market, the latest available statistics shows the foreign holding of Malaysian debt securities rose again to RM279.1b in Jul-24 (Jun-24: RM271.3b). Looking at the further gains in ringgit last month, we believe the inflows in the debt market continued in Aug-24, in addition to the increased net foreign inflows into the equity market.

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



Source: Bloomberg, MIDFR

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



Source: Bloomberg, MIDFR

Ringgit on track to appreciate towards newly revised number of RM4.23. We foresee there is room for ringgit to appreciate further and to end the year at RM4.23 (end-2023: RM4.59). Despite potential headwinds like weaker growth in China, the recession risk in the US, or escalating geopolitical tensions affecting Malaysia's external trade recovery, the Fed's easing stance boosts our confidence in the ringgit's appreciation in 4QCY24. However, if the US dollar strength persists, particularly if the Fed delays the rate cuts due to continued resilience in the US economy and concerns over possible re-acceleration in the inflation outlook, this could still limit the ringgit's appreciation.

MIDF TWRI to close the year higher at 93.0. The ringgit is also poised to continue performing better against other currencies, which would push our MIDF Trade-Weighted Ringgit Index to end the year around 93.0 (end-2023: 85.34). Apart from the strengthening of ringgit against US dollar, we anticipate the ringgit will continue to appreciate against other currencies in the TWRI given the more bullish outlook on Malaysia's economy, the sustained pick-up in the domestic economy and the continued recovery in the external trade. More flows will also


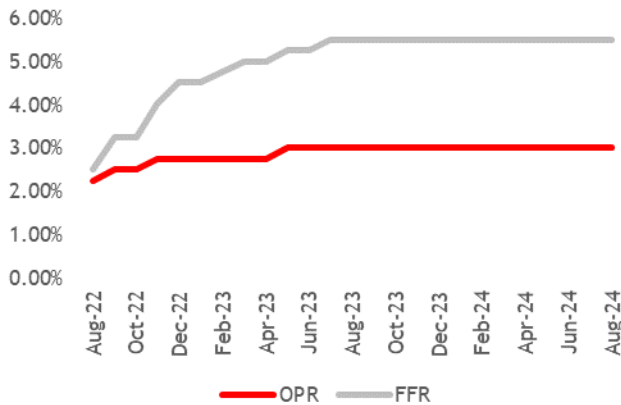
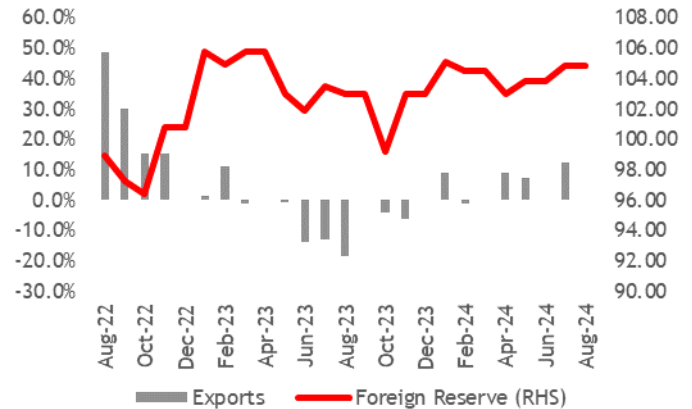
come to Malaysia as investors are enticed by the strengthening of ringgit and the positive economic fundamentals, including the relatively low inflation pressures. 

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



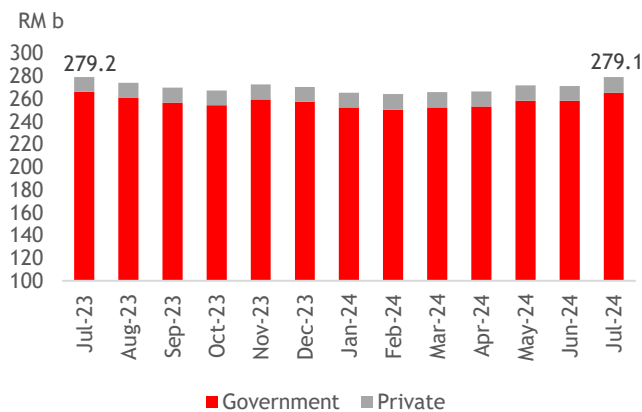
Source: Bloomberg, MIDFR

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



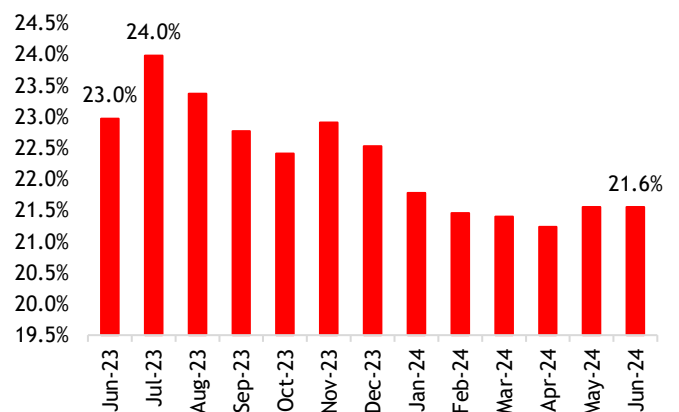
Source: Bloomberg, IMF, MIDFR

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	4.37	4.23
10Y Government Bond Yield (average)	3.97	3.91	3.83	3.90	3.80	3.74
10Y Government Bond Yield (end-period)	3.84	3.73	3.85	3.87	3.80	3.60

Source: Bloomberg, MIDFR

August 2024 Key Economic Events

4 Aug: Global Carry Trade Unwind Extends as Peso Drops, Yen Gains An unwinding of global carry trades is helping to jolt markets around the world. The yen and yuan pushed higher Monday, while the Mexican peso extended its decline as traders continued to roll back the popular trading strategy.

5 Aug: Taiwan's forex reserves end 2-month rising streak Taiwan's foreign exchange reserves dropped in July, breaking a two-month rising streak, due to market intervention by the local central bank to prevent the Taiwan dollar from falling further against the U.S. dollar. Data compiled by the local central bank showed Taiwan's forex reserves as of the end of July fell US\$1.559 billion from a month earlier to US\$571.740 billion.

16 Aug: Sri Lanka to breach inflation target till 2025 first quarter: Central Bank Sri Lanka's inflation is expected to be below 3 percent up to the first quarter of 2025 the central bank said, after maintaining inflation around the same levels in the past several months, breaching the lower level of a 5 percent inflation target.

21 Aug: Taiwan Central Bank Warns Lenders It May Act to Cool Property Taiwan's central bank announced broader efforts to get banks to cool their property lending, warning it's prepared to take action if persuasion doesn't work. The monetary authority has met with 34 local lenders this month and told them to propose improvement plans by Sept. 6, it said in a statement. It will review the effects of the plans routinely and conduct on-site inspections, amid concerns that credit is excessively concentrated.

22 Aug: ECB urges caution on interest rate cuts amid inflation uncertainty The European Central Bank (ECB) is trading carefully on potential interest rate cuts, opting to approach its September meeting with an open mind and guided by a broad evaluation of forthcoming economic data. Essentially, it shouldn't be taken for granted that a rate cut will be delivered at the 12 September monetary policy meeting in Frankfurt, in stark contrast to market expectations, which largely anticipate a rate reduction next month.

24 Aug: Bangladesh Bank hikes policy rate by 50 bps to 9% to tackle inflation The monetary policy committee of Bangladesh's central bank yesterday raised the policy rate by 50 basis points (bps) to 9 per cent to fight inflation—the third hike this year. The new rates take effect from today, the Bangladesh Bank informed banks and non-banking financial institutions.

26 Aug: Pound soars to 29-month high following Fed rate cut signal at Jackson Hole The British pound soared against other currencies in the G-10 group on Friday following the Jackson Hole Symposium, a conference in Wyoming hosted by the Federal Reserve (Fed) to discuss central banking policies. The pound surged against the US dollar, reaching above 1.32, the highest level since March 2022. It rose against the euro to over 1.18, a three-week high.

5 Aug: Indian rupee collapses to lifetime low on outflow worries The Indian rupee fell to an all-time low at the open today, on worries that the risk off prompted by US recession worries could lead to foreign outflows. The rupee opened at 83.78 to the US dollar compared to its previous close of 83.75, and slipping past the lifetime low of 83.7525 hit on Friday.

5 Aug: Ringgit Rises Most Since 2015 as Market Chaos Spurs Some Winners The ringgit jumped the most in nine years on bets foreign capital will flood in amid optimism surrounding Malaysia's economy. The currency surged as much as 2.3% on Monday, headed for its biggest gain since October 2015. It outperformed its developing peers including the Chinese yuan on a day of significant turmoil across global markets triggered in part by fears of a US recession and an unwind of popular currency trades.

20 Aug: Turkey Central Bank Stands Pat Despite Tentative Optimism on Inflation The Turkish central bank left its benchmark interest rate at its current elevated level, despite signs of cooling inflation, saying it would keep rates high until price rises ease more sharply. The central bank's policy committee said Tuesday that it decided to leave its policy rate 50%, remaining at its highest level in more than two decades.

21 Aug: Indonesia central bank keeps rates steady, focuses on stabilising the rupiah Indonesia's central bank on Wednesday held interest rates steady, as expected, preferring to focus on stabilizing the rupiah before possibly easing rates later this year. Bank Indonesia (BI) kept the benchmark 7-day reverse repurchase rate at 6.25%, where it has been since April. BI also kept the overnight deposit facility and lending facility rates unchanged at 5.50% and 7%, respectively.

23 Aug: Fed Chair Powell indicates interest rate cuts ahead: 'The time has come for policy to adjust' Federal Reserve Chair Jerome Powell laid the groundwork Friday for interest rate cuts ahead, though he declined to provide exact indications on timing or extent. "The time has come for policy to adjust," the central bank leader said in his much-awaited keynote address at the Fed's annual retreat in Jackson Hole, Wyoming.

24 Aug: Vietnam, Laos discuss cooperation in using local currencies in bilateral trade The State Bank of Vietnam and the Bank of Laos are looking to explore a joint cross-border retail payment system. The two recently organised a conference to share their experience in promoting the use of respective domestic currencies in bilateral trade and investment cooperation activities to prevent external risks.

29 Aug: US economic growth for last quarter is revised up to a solid 3% annual rate The U.S. economy grew last quarter at a healthy 3% annual pace, fueled by strong consumer spending and business investment, the government said Thursday in an upgrade of its initial assessment.

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