

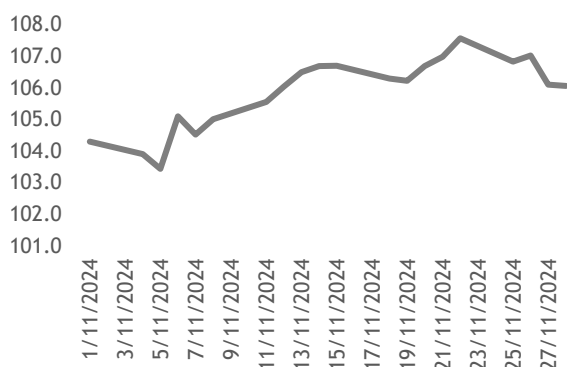
CURRENCY | Nov-24 Monthly Currency Review

Ringgit Depreciated in Nov-24 Despite Further Rate Cut by the Fed

- USD appreciated further, closing at 5-month high. The US Dollar continued its upward momentum against major currencies in Nov-24, with the DXY dollar index rising by +1.7%mom to 105.74 (end-Oct-24: 103.98).
- Ringgit's depreciated at a slower pace in Nov-24. Malaysian ringgit continues to demonstrate a weakening trend, with the decline of -1.5%mom, closing the month at RM4.446. This led the ringgit's year-to-date appreciation to decline to +3.3%ytd, down from +4.9%ytd at end-Oct-24.
- TWRI fell as ringgit weakened against trading partner currencies. Ringgit also weakened against currencies of Malaysia's major trading partners as shown by our MIDF Trade-Weighted Ringgit Index (TWRI) which fell by -0.7%mom to 90.70 in Nov-24 (Oct-24: 91.33).
- Expectations of Fed easing boost Ringgit's strength. We anticipate Malaysian ringgit will regain strength and to end the year stronger at RM4.30 (end-2023: RM4.59), supported by the narrowing interest differentials.

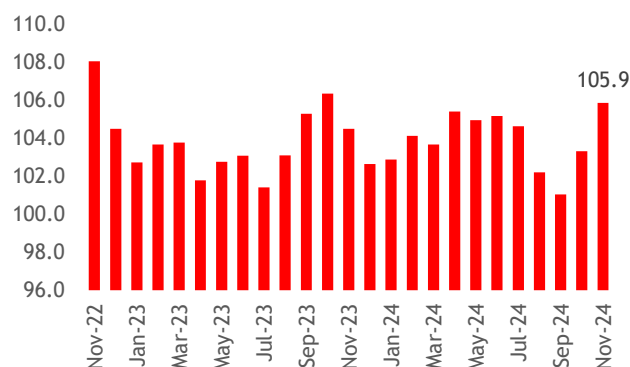
USD appreciated further, closing at 5-month high. The US dollar continued its upward momentum against major currencies in Nov-24, with the DXY dollar index rising by +1.7%mom to 105.74 (end-Oct-24: 103.98). Based on average, the monthly dollar index increased by +2.5%mom to 105.86 (Sep-24: 103.31), marking the highest reading in 13 months. Despite another rate cut delivered by the Fed at the start of the month, the appreciation of the greenback was primarily attributed to expectations of slower policy easing and rising inflation bets under the new administration after the election of Donald Trump. Concurrently, the latest economic data indicated resilience in the US job market and consumer spending, coupled with unsurprising renewed acceleration in inflation and improved consumer and business sentiment. Notably, the DXY index peaked at 107.55 on 22 November 2024, the highest since Nov-22, mainly driven by rising demand for haven assets amid heightened geopolitical tensions. However, the dollar depreciated towards month-end as safe-haven demand diminished following the ceasefire between Israel and Hezbollah. Additionally, growing market expectations for another rate cut in Dec-24 also contributed to the weakening of USD, supported by a slightly dovish tone in the FOMC minutes. Meanwhile, the acceleration in PCE inflation had minimal impact as it was in line with market consensus.

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



Source: Bloomberg, MIDF

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

Sustained broad-based strength of dollar against most currencies. The US dollar maintained its broad-based strength in Nov-24, appreciating against both major and regional currencies, underpinned by renewed pledges on higher import tariffs by the new US administration. Among major currencies, the euro and pound sterling weakened by -2.8%mom and -1.3%mom, respectively. Among Asian currencies, the smallest depreciation was posted by Vietnamese đồng (-0.3%mom), Indian rupee (-0.5%mom) and Canadian dollar (-0.5%mom), whereas Chinese yuan (-1.8%mom) saw the worst performance, followed by the New Taiwan dollar, Singapore dollar and Malaysian ringgit which fell by -1.5%mom each. In contrast, the Japanese yen strengthened against the greenback by +1.5%mom (Oct-24: -5.5%mom), largely due to increased speculation of a potential rate hike by the BOJ in Dec-24.

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

	2020	2021	2022	2023	Nov-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	105.74	+4.3%	+1.7%
USDJPY	103.25	115.08	131.12	141.04	149.77	-5.8%	+1.5%
USDVND	23,098	22,826	23,633	24,269	25,346	-4.2%	-0.3%
USDCAD	1.273	1.264	1.355	1.324	1.401	-5.4%	-0.5%
USDINR	73.07	74.34	82.74	83.21	84.49	-1.5%	-0.5%
USDIDR	14,050	14,263	15,573	15,399	15,848	-2.8%	-0.9%
USDPHP	48.03	50.99	55.74	55.39	58.62	-5.5%	-0.9%
USDAUD	1.300	1.377	1.468	1.468	1.536	-4.4%	-1.1%
GBPUSD	1.367	1.353	1.208	1.273	1.274	+0.0%	-1.3%
USDTHB	29.96	33.21	34.61	34.26	34.29	-0.1%	-1.4%
USDKRW	1,087	1,190	1,260	1,291	1,397	-7.6%	-1.4%
USDTWD	28.09	27.67	30.73	30.58	32.51	-5.9%	-1.5%
USDMYR	4.02	4.167	4.405	4.594	4.446	+3.3%	-1.5%
USDSGD	1.322	1.349	1.34	1.32	1.340	-1.4%	-1.5%
USDCNY	6.527	6.356	6.899	7.1	7.246	-2.0%	-1.8%
EURUSD	1.222	1.137	1.071	1.104	1.058	-4.2%	-2.8%

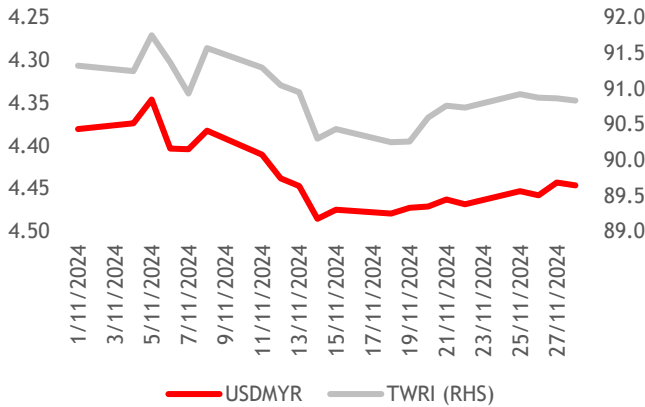
Source: Bloomberg, MIDFR

Ringgit's depreciated at a slower pace in Nov-24. Malaysian ringgit demonstrated another month of weakening after registering -1.5%mom depreciation and closing the month at RM4.446, the weakest level last seen in Aug-24. This led the ringgit's year-to-date appreciation narrowing to +3.3%ytd, down from +4.9%ytd at end-Oct-24. Compared to other regional currencies, the ringgit was among the worst-performing currencies in Nov-24, where the monthly depreciation of -1.5%mom as experienced by Singapore dollar and Taiwan dollar but not as steep as Chinese yuan (-1.8%mom). Despite the positive outlook for Malaysia's economic fundamentals, the depreciation of the ringgit and other regional currencies is largely attributed to a retreat of capital from emerging markets, driven by shifting market expectations regarding the pace of the Fed's future rate cuts. The Fed is not expected to pursue aggressive monetary easing, which could reignite inflationary pressures given the persistent resilience of the US economy and labour market.

TWRI fell as ringgit weakened against trading partner currencies. Ringgit also weakened against currencies of Malaysia's major trading partners last month as shown by our MIDF Trade-Weighted Ringgit Index (TWRI), which fell by -0.7%mom to 90.70 in Nov-24 (Oct-24: 91.33). While the average MIDF TWRI also decreased by -1.6%mom to 90.91 (Oct-24: 92.38), this indicates the continued weakening of ringgit did not fully

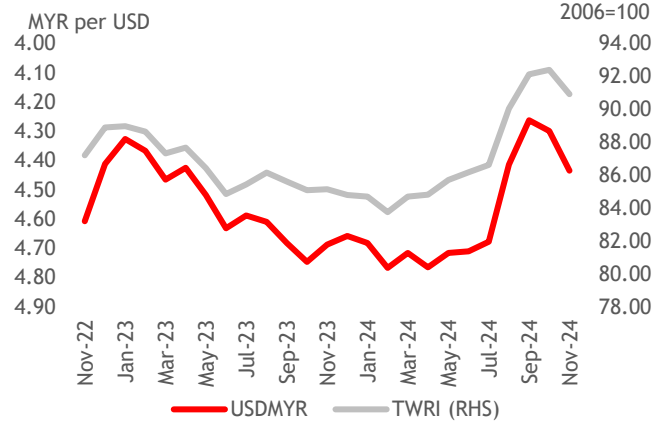
erase the earlier appreciation particularly in the 2-month period to Sep-24. On the year-to-date basis, the TWRI index still gained by +6.7%ytd, particularly supported by the gains against Korean won (+11.8%ytd), Philippine peso (+9.3%ytd), Japanese yen (+9.3%ytd) and Taiwan Dollar (+9.2%ytd) until end-Nov-24.

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



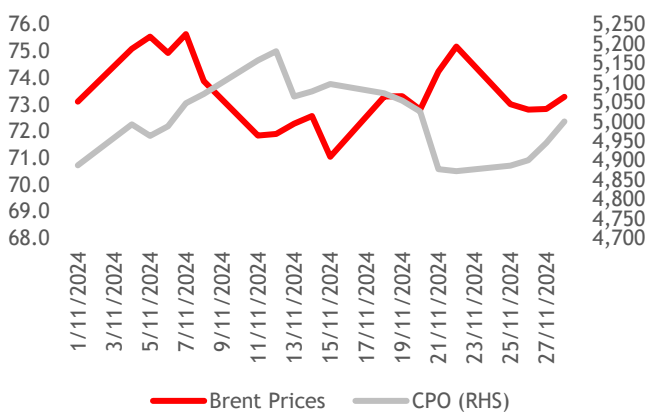
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



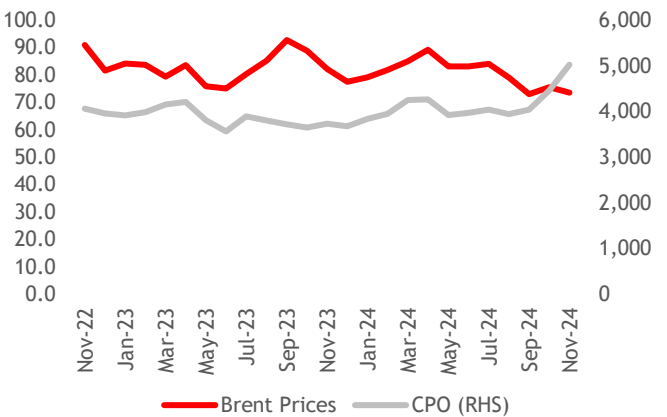
Source: Bloomberg, MIDFR

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 also depreciated against other currencies. The relatively steeper ringgit's depreciation in Nov-24 has resulted in a decline in the local currency's exchange rates against several other currencies. Ringgit recorded the sharpest depreciation against Japanese yen (-3.0%mom) and Sri Lankan rupee (-2.2%mom). Conversely, ringgit showed relative strength, with the least depreciation recorded against Taiwan dollar (-0.1%mom), Thai baht (-0.2%mom) and Singapore dollar (-0.3%mom). Notably, the ringgit appreciated against some currencies during the month, including euro (+1.2%mom) and Chinese yuan (+0.1%mom).

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

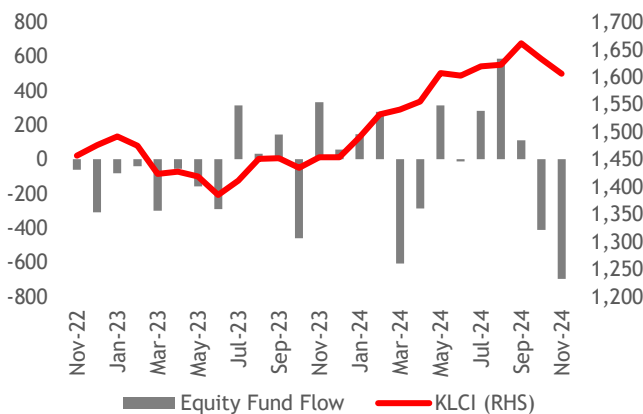
	2020	2021	2022	2023	Nov-24	YTD Change	MoM Change
EURMYR	4.946	4.719	4.693	5.076	4.694	+8.1%	+1.2%
GBPMYR	5.495	5.631	5.299	5.837	5.645	+3.4%	+0.4%
CNYMYR	0.616	0.655	0.638	0.646	0.614	+5.3%	+0.1%
TWDMYR	0.143	0.151	0.143	0.150	0.137	+9.8%	-0.1%

	2020	2021	2022	2023	Nov-24	YTD Change	MoM Change
THBMYR	13.38	12.56	12.75	13.40	12.99	3.2%	-0.2%
KRWMYR	0.37	0.35	0.35	0.356	0.318	11.8%	-0.3%
SGDMYR	3.043	3.086	3.283	3.478	3.318	+4.8%	-0.3%
TRYMYR	0.541	0.312	0.235	0.155	0.128	+21.3%	-0.4%
IDRMYR	0.029	0.029	0.028	0.030	0.028	+6.4%	-0.6%
PHPMYR	0.084	0.082	0.079	0.083	0.076	+9.4%	-0.9%
CADMYR	3.156	3.271	3.251	3.467	3.177	+9.1%	-1.0%
NPRMYR	0.034	0.035	0.033	0.035	0.033	+5.0%	-1.0%
VNDMYR	0.174	0.183	0.187	0.189	0.175	+7.9%	-1.3%
USDMYR	4.020	4.167	4.405	4.594	4.446	+3.3%	-1.5%
BDTMYR	4.751	4.831	4.271	4.181	3.721	+12.4%	-1.5%
LKRMYR	0.022	0.021	0.012	0.014	0.015	-7.2%	-2.2%
JPYMYR	3.891	3.62	3.358	3.255	2.969	9.6%	-3.0%

Source: Bloomberg, MIDFR

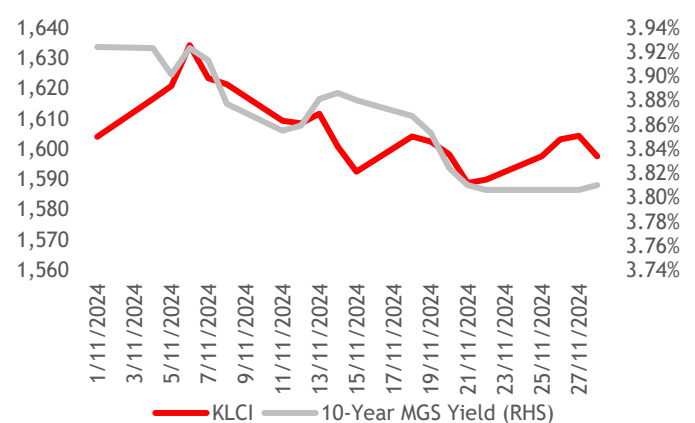
Equity market sees significant outflows from foreign funds. Funds flew out of the equity market in Oct-24 as foreign investors net sold Malaysian equities by -USD698.7m (Oct-24: -USD412.8m), the 2nd consecutive month of outflows. The large outflows in Nov-24 resulted in the year-to-date cumulative foreign fund flows turning to net outflows of -USD305.9m. In terms of foreign flows into the domestic debt market, foreign holding of Malaysian debt securities fell by -RM11.4b to RM277.7b in Oct-24 (Sep-24: RM289.1b), the largest monthly reduction since Mar-20. The recent depreciation of the ringgit signalled that investors' re-evaluation of their positions vis-à-vis reduced expectations for aggressive rate cuts by the Fed. We conclude that capital outflows from the debt market also played a role in the local currency's decline in Nov-24, alongside net selling of equities.

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



Source: Bloomberg, MIDFR

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

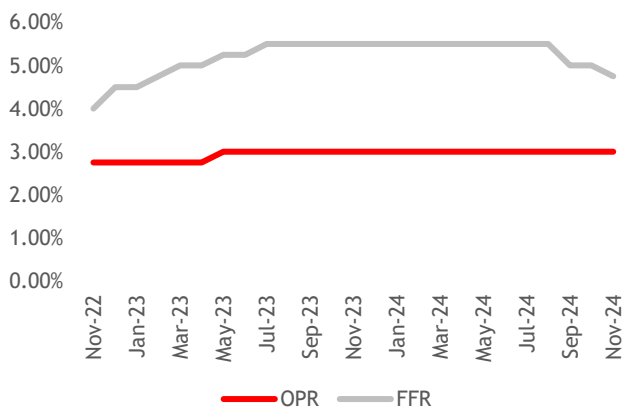


Source: Bloomberg, MIDFR

Ringgit to gain from further easing by the Fed. We anticipate Malaysian ringgit will regain strength and to end the year stronger at RM4.30 (end-2023: RM4.59). This outlook is primarily driven by expectations of further policy easing from the Fed and the narrowing of interest rate differentials that will favor emerging market currencies, including the ringgit. Malaysia's robust economic fundamentals, characterized by a persistent surplus in both the balance of trade and current account, further support this expected appreciation. On the same note, we expect our MIDF TWRI will rise to around 93.0 by year-end, reflecting potential gains against other currencies.

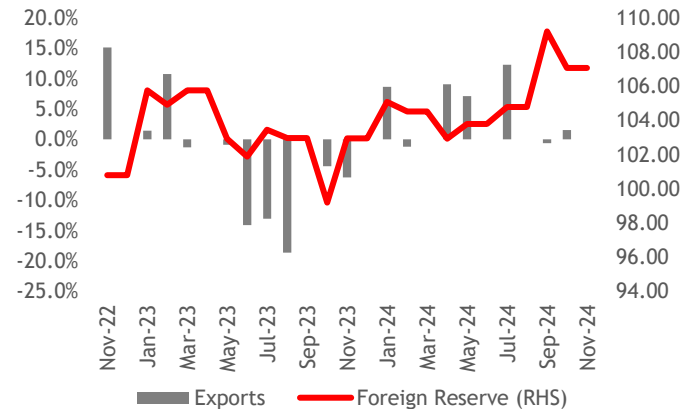
However, several downside risks could lead to a prolonged strength of the US dollar, which include a more hawkish stance by the Fed possibly due to a resurgence in inflation and continued resilience in the US economy, will hinder the ringgit's appreciation. Moreover, increased demand for the dollar may arise from a flight to safety prompted by concerns over global economic growth outlook, which may be impacted by escalating geopolitical and trade tensions and a potentially weaker-than-expected growth in major economies.

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



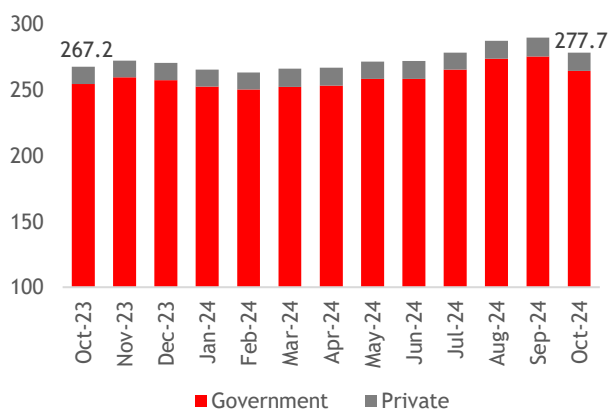
Source: Bloomberg, MIDFR

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



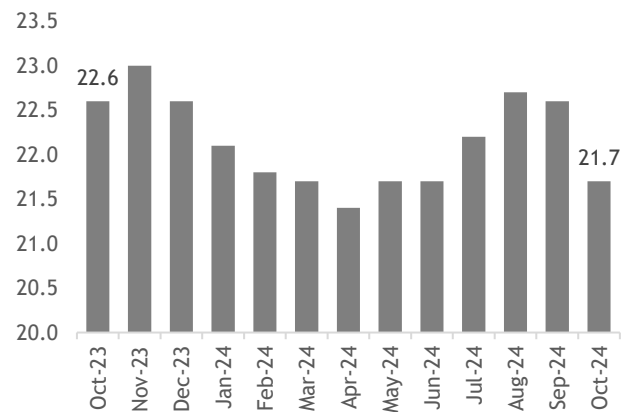
Source: Bloomberg, IMF, MIDFR

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	3Q24	4Q24f
Exchange Rate, vs USD (average)	4.63	4.70	4.72	4.73	4.46	4.37
Exchange Rate, vs USD (end-period)	4.70	4.59	4.72	4.72	4.12	4.30
10Y Government Bond Yield (average)	3.97	3.91	3.83	3.90	3.77	3.82
10Y Government Bond Yield (end-period)	3.84	3.73	3.85	3.87	3.71	3.72

Source: Bloomberg, MIDFR

November 2024 Key Economic Events

1 Nov: Argentina cuts interest rate to 35% as inflation outlook eases Argentina's central bank cut its benchmark interest rate to 35% in a surprise move on Friday, boosting local markets and signalling growing optimism by the government that it can take the country's triple-digit inflation. The 500-basis point cut was the seventh time the policy rate has been lowered since outsider libertarian President Javier Milei took office in December when it was 133%.

7 Nov: Federal Reserve cuts interest rates by a quarter point The Federal Reserve approved its second consecutive interest rate cut, moving at a less aggressive pace than before but continuing its efforts to right-size monetary policy. The FOMC lowered its benchmark overnight borrowing rate by 25 basis points to a target range of 4.50%-4.75%.

8 Nov: China unveils \$1.4 trillion local debt package, but no direct stimulus China unveiled a 10 trillion-yuan (\$1.40 trillion) debt package on Friday to ease local government financing strains and stabilise flagging economic growth, as it faces fresh pressure from the re-election of Donald Trump as U.S. president.

13 Nov: CBA earnings edge past expectations on higher home loan volumes Commonwealth Bank of Australia reported first-quarter cash earnings slightly ahead of market consensus on Wednesday, helped by improved volumes in its home lending and household deposits portfolio and buoyant margins amid high interest rates.

15 Nov: Bank Negara announces foreign exchange policy liberalisation for MDBs, qualified non-resident DFIs Bank Negara Malaysia (BNM) today announced a liberalisation of foreign exchange policy (FEP) for multilateral development banks (MDBs) and qualified non-resident development financial institutions (DFIs), aiming to facilitate their investments in key growth areas in Malaysia.

19 Nov: Bank Negara, BIS drive global cross-border payment innovation with Project Nexus Bank Negara Malaysia (BNM), in collaboration with the Bank for International Settlements (BIS) and four other central banks, is advancing Project Nexus to enhance the efficiency of instant payment systems (IPS) for seamless cross-border transactions globally, with full operation expected by 2027.

23 Nov: Israeli settlers set sights on Trump support for full control of West Bank After a record expansion of Israeli settlement activity, some settler advocates in the occupied West Bank are looking to Donald Trump to fulfil a dream of imposing sovereignty over the area seen by Palestinians as the heart of a future state.

27 Nov: Sri Lanka central bank cuts rates with new 8.00-pct policy rate from November Sri Lanka's central bank has announced an 8.00 percent overnight policy rate dropping the earlier policy corridor, with its standing facilities kept at 8.50 percent to print money and 7.50 percent to take out excess liquidity.

28 Nov South Korea's central bank cuts key interest rate to nurse a slower economy South Korea's central bank lowered its key policy rate for a second straight month and said the country's economy will grow at a slower pace than it initially anticipated.

6 Nov: Bank Negara's benchmark interest rate remains at 3% The Monetary Policy Committee (MPC) of Bank Negara Malaysia today decided to maintain the Overnight Policy Rate (OPR) at 3%. Announcing this after its meeting, MPC gave an assurance that it will ensure that the monetary policy stance remains conducive to sustainable economic growth amid price stability.

7 Nov: Trump's win emboldens dollar bulls as they brace for tariffs Donald Trump's imminent return to the White House is putting a spotlight on the U.S. dollar, which could have far-reaching implications for everything from domestic manufacturers to emerging markets if the currency's rally continues.

11 Nov: Russia's Putin approves no-disclosure waiver for Novatek, Surgut Russian President Vladimir Putin signed a decree on Monday allowing Novatek (NVTK.MM), opens new tab and its liquefied natural gas units, as well as oil firm Surgutneftegaz, to limit public disclosure about their businesses. Russia started withholding some data shortly after its troops entered Ukraine in February 2022.

13 Nov: Saudi wealth fund PIF to sell further stake in STC in potential \$1.1 billion deal Saudi Arabia's sovereign wealth fund PIF has hired Goldman Sachs and Saudi National Bank to sell around a 2% stake in the country's telecom group STC in a deal that could raise up to \$1.1 billion, according to a statement from the banks.

16 Nov: Canadian dollar extends weekly decline on wider yield spreads The Canadian dollar weakened to a 4-1/2 year low against its U.S. counterpart on Friday as oil prices fell and a wider gap between U.S. and Canadian yields reduced the incentive for investors to hold the currency. The loonie was trading 0.1% lower at 1.4075 to the U.S. dollar, or 71.05 U.S. cents, after touching its weakest intraday level since May 2020 at 1.4105.

20 Nov: NBU clarifies number of currency restrictions The National Bank of Ukraine is making changes to the current currency restrictions from November 20, 2024. On the one hand, the NBU is easing a number of restrictions to support international cooperation in the field of foreign trade, as well as international projects and technical assistance programs.

26 Nov: Rupee weakens slightly as US tariff threat weighs on Asian currencies The Indian rupee ended slightly lower on Tuesday, weighed down by a decline in its Asian peers after U.S. President-elect Donald Trump pledged to levy tariffs on the country's biggest trading partners. The rupee closed at 84.3275 against the U.S. dollar, compared to its previous close of 84.2875.

27 Nov: Trump tariff vow hits Mexican and Canadian currencies, yen firm A pledge by President-elect Donald Trump to impose tariffs on products from Canada, Mexico and China sent their currencies lower against the dollar on Tuesday, renewing the spectre of trade wars and fanning uncertainty in other currency pairs.

29 Nov: Britain pledges US\$2.5 billion to World Bank fund for poor nations Britain on Thursday pledged to invest 1.98 billion pounds (US\$2.5 billion) over three years into the World Bank's International Development Association (IDA) fund for the lowest-income countries.

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