

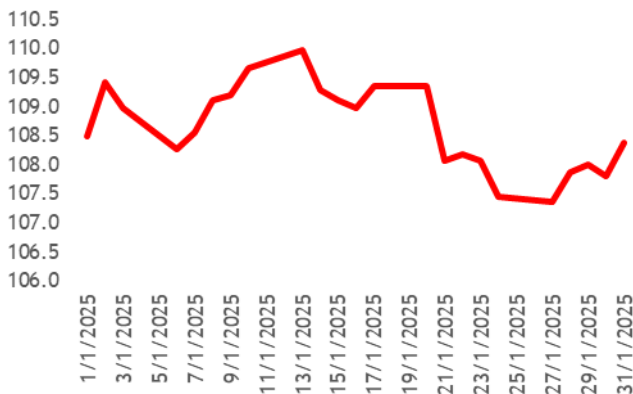
## CURRENCY | Jan-25 Monthly Currency Review

### Ringgit Appreciated Slightly in Jan-25 as Market Adjusted Expectations on the Fed's Rate Trajectory

- *USD closed the month slightly lower despite weakness throughout the month. The US dollar index weakened by -0.1%mom to 108.37, depreciating after two months of strengthening. The dollar performance was mainly driven by the changes in market expectation on the trajectory of the US monetary policy added to the policy uncertainty from the newly formed US government.*
- *Ringgit broke the weakening streak in Jan-25. The ringgit turned to a slight appreciation against the USD, appreciating by +0.3%mom, and ended the month at USDMYR4.458 (previous: USDMYR4.472), being the highest-level last month.*
- *Ringgit to appreciate further into 2025. We continue to expect that the Malaysian ringgit will remain on track on its strengthening trend against the USD, however at a more gradual pace on the back of the movement in the US monetary policy trajectory. We think that the ringgit will appreciate with an average of USDMYR4.23 for the year.*

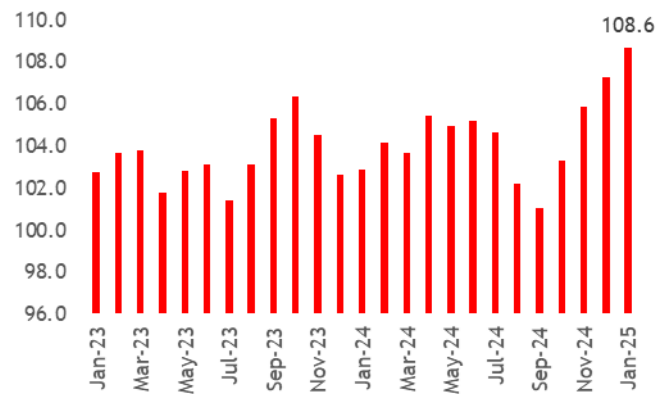
**USD closed the month slightly lower despite weakness throughout the month.** The US dollar index weakened by -0.1%mom to 108.37, depreciating after two months of strengthening. On an average basis, the monthly dollar index slightly increased by +1.3%mom to 108.64 (Dec-24: 107.24). The dollar performance was mainly driven by the changes in market expectation on the trajectory of the US monetary policy added to the policy uncertainty from the newly formed US government. In the early part of the month, the DXY strengthened as investors became more cautious towards an inflationary environment on the back of a less dovish interest rates path than previously expected. However, the DXY index retreated lower towards the end of the month breaching the 107 level on the back of President Donald Trump's inauguration and the signing of the executive orders, which missed market expectations of any amendments towards imposing higher import tariffs. On top of that, the dollar weakened due to the dovish signal by the US President which favoured more rate cuts. This has led to investors remain on a cautious optimism mode and to remain vigilant on the next move by the president. The final week of the month saw downward pressure on the back of the equity market sell-off triggered by Deepseek and the impact on the AI industry, while the FOMC left interest rates unchanged. However, the final day of the month saw the DXY strengthened higher due to the higher-than-expected inflationary pressure. As a result, the renewed expectations drove the DXY to slightly strengthen after it weakened throughout the month, with the dollar index hitting the intra-month high of 109.9 on 13 January 2025.

**Chart 1: Movement of DXY Dollar Index in Jan-25**



Source: Bloomberg, MIDFR

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



Source: Bloomberg, MIDFR

**Mixed performance of the dollar against most currencies.** The strengthening of the US dollar in Dec-24 was quite mixed. Across major currencies, the euro strengthened by +0.1%mom, on the other hand, the pound sterling weakened against the US dollar and depreciated by -1.0%mom. Among the Asian currencies, the biggest appreciation against the US dollar was recorded by the Thai baht (+1.8%mom) followed by the Korean Won by (+1.7%mom). In contrast, the Indian rupee (-1.2%mom) and the Indonesian Rupiah (-1.1%mom) were among the worst-performing currencies during the month.

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

	2021	2022	2023	2024	Jan-25	YTD Change	MoM Change
<b>DXY</b>	95.67	103.52	101.33	108.49	108.37	-0.1%	-0.1%
<b>USDJPY</b>	115.08	131.12	141.04	157.20	155.19	+1.3%	+1.3%
<b>USDSGD</b>	1.349	1.340	1.320	1.366	1.357	+0.7%	+0.7%
<b>USDAUD</b>	1.377	1.468	1.468	1.616	1.608	+0.5%	+0.5%
<b>EURUSD</b>	1.137	1.071	1.104	1.035	1.036	+0.1%	+0.1%
<b>GBPUSD</b>	1.353	1.208	1.273	1.252	1.240	-1.0%	-1.0%
<b>USDCAD</b>	1.264	1.355	1.324	1.438	1.454	-1.1%	-1.1%
<b>USDTHB</b>	33.21	34.61	34.26	34.35	33.73	+1.8%	+1.8%
<b>USDKRW</b>	1,190	1,260	1,291	1,479	1,454	+1.7%	+1.7%
<b>USDVND</b>	22,826	23,633	24,269	25,485	25,082	+1.6%	+1.6%
<b>USDCNY</b>	6.356	6.899	7.100	7.299	7.245	+0.8%	+0.8%
<b>USDTWD</b>	27.67	30.73	30.58	32.79	32.68	+0.3%	+0.3%
<b>USDMYR</b>	4.167	4.405	4.594	4.472	4.458	+0.3%	+0.3%
<b>USDPHP</b>	50.99	55.74	55.39	57.98	58.37	-0.7%	-0.7%
<b>USDIDR</b>	14,263	15,573	15,399	16,132	16,305	-1.1%	-1.1%
<b>USDINR</b>	74.34	82.74	83.21	85.61	86.62	-1.2%	-1.2%

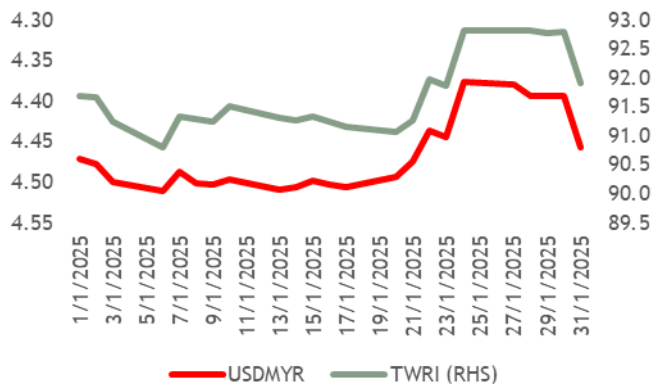
Source: Bloomberg, MIDFR

**Ringgit broke the weakening streak in Jan-25.** The ringgit turned to a slight appreciation against the USD, appreciating by +0.3%mom, and ended the month at RM4.458 (previous: RM4.472), being the strongest level last month. While we remain optimistic about Malaysia's economic fundamentals and outlook, the recent weakness in the ringgit can largely be attributed to a reversal of capital flows from emerging markets back to the US, driven by a longer-than-expected period of interest rate differentials. Given the slower pace of rate cuts, we foresee the Fed would not ease its monetary policy aggressively in 2025. However, we remain cautious of the

potential for inflation to pick up again, driven by ongoing economic and job market strength. Meanwhile, as we obtain further clarity on the US newly elected government’s stance on tariffs, we foresee the increasing probability of a higher inflationary environment in the US to pan out, which could again shift market expectations on the trajectory of the FFR path. However, at the moment, we do not think it would derail our current view of at least one -25bps rate cut in 2HCY25. Echoing Powel’s speech after the Jan-25 FOMC meeting, we do not think that the central bank is in a hurry to cut rates again.

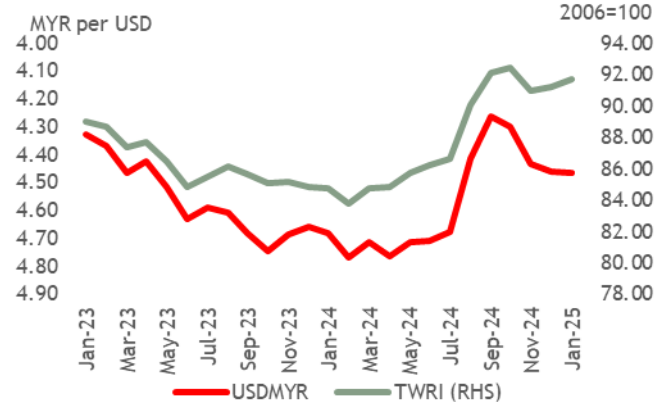
**TWRI moved higher as Ringgit strengthened against trading partner currencies.** Ringgit strengthened against currencies of Malaysia’s major trading partners as shown by our MIDF Trade-Weighted Ringgit Index (TWRI) increased by +0.3%mom to 91.90 (Dec-24: 91.56), this indicates that the ringgit performed better against its trading partner while the ringgit appreciated against the USD. The gain was boosted by the strengthening against the Sri Lankan Rupee (+2.0%mom), Turkish lira (+1.8%mom), and Bangladeshi taka (+1.6% mom).

**Chart 3: USDMYR vs. MIDF TWRI in Jan-25**



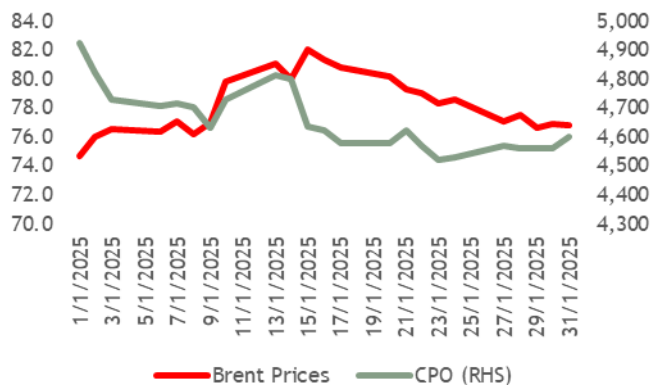
Source: Bloomberg, MIDFR

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



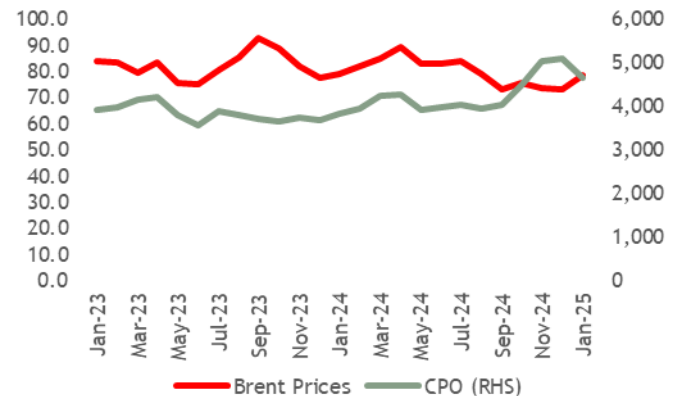
Source: Bloomberg, MIDFR

**Chart 5: Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne) Prices**



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 currencies.** The appreciation of the ringgit against the US dollar is also reflected towards the ringgit's performance against other cross-currency pairings. Ringgit experienced appreciation against the major currency, the ringgit appreciated against the euro by (+0.7%mom) and the pound sterling (+1.3%mom). The ringgit appreciated the most against the Sri Lankan Rupee (+2.0%mom). In contrast, the ringgit depreciated the most against the Thailand baht (-1.7%mom) and Korean won (-1.2%mom) as these currencies registered relatively stronger appreciation during the month.

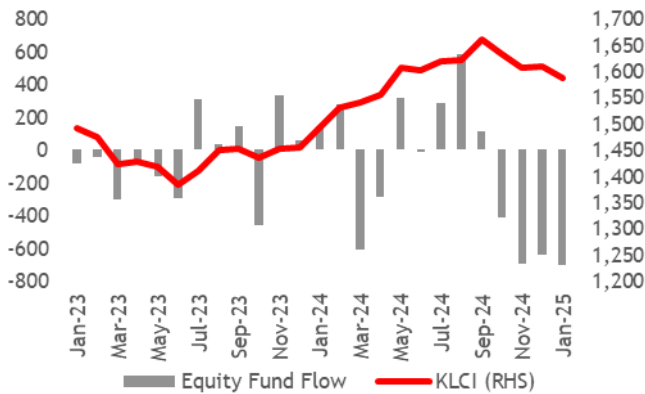
**Table 2: End Period of MYR Against Selected Currencies, YTD Change and MoM Change**

	2021	2022	2023	2024	Jan-25	YTD Change	MoM Change
<b>GBPMYR</b>	5.631	5.299	5.837	5.615	5.540	+1.3%	+1.3%
<b>CADMYR</b>	3.271	3.251	3.467	3.113	3.081	+1.0%	+1.0%
<b>EURMYR</b>	4.719	4.693	5.076	4.659	4.628	+0.7%	+0.7%
<b>USDMYR</b>	4.167	4.405	4.594	4.472	4.458	+0.3%	+0.3%
<b>SGDMYR</b>	3.086	3.283	3.478	3.286	3.290	-0.1%	-0.1%
<b>LKRMYR</b>	0.021	0.012	0.014	0.015	0.015	+2.0%	+2.0%
<b>TRYMYR</b>	0.312	0.235	0.155	0.126	0.124	+1.8%	+1.8%
<b>BDTMYR</b>	4.831	4.271	4.181	3.721	3.671	+1.6%	+1.6%
<b>NPRMYR</b>	0.035	0.033	0.035	0.033	0.032	+1.5%	+1.5%
<b>IDRMYR</b>	0.029	0.028	0.030	0.028	0.027	+1.4%	+1.4%
<b>PHPMYR</b>	0.082	0.079	0.083	0.077	0.076	+0.9%	+0.9%
<b>TWDMYR</b>	0.151	0.143	0.150	0.136	0.136	+0.0%	+0.0%
<b>CNYMYR</b>	0.655	0.638	0.646	0.613	0.615	-0.4%	-0.4%
<b>VNDMYR</b>	0.183	0.187	0.189	0.175	0.176	-0.5%	-0.5%
<b>JPYMYR</b>	3.620	3.358	3.255	2.846	2.872	-0.9%	-0.9%
<b>KRWMYR</b>	0.350	0.350	0.356	0.303	0.307	-1.2%	-1.2%
<b>THBMYR</b>	12.56	12.75	13.40	13.02	13.24	-1.7%	-1.7%

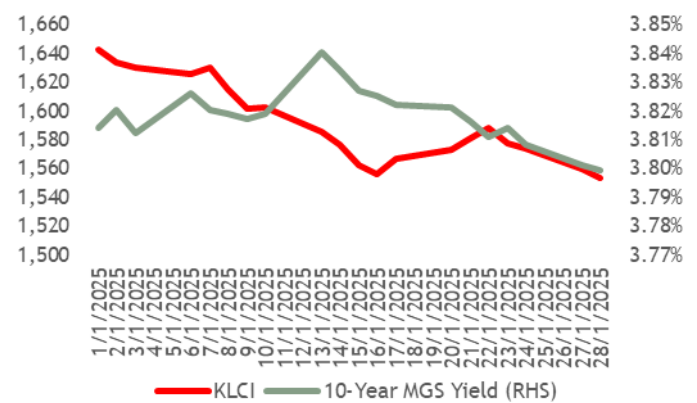
Source: Bloomberg, MIDFR

**The fourth month of net fund outflows from the equity market.** The fund outflows from the equity market continued in Jan-24 as foreign investors net sold Malaysian equities by -USD702.1m (Dec-24: -USD648.1m), resulting in cumulative -USD2.46b outflows since Oct-24. The amount was the largest net outflow in the four months of outflow since the start of 2024. In terms of foreign flows into the domestic debt market, the latest data shows that the foreign holdings of Malaysian debt securities continued to decline to RM275.2b in Dec-24 (Nov-24: RM276.6b), falling for the 3<sup>rd</sup> straight month and the lowest since Jul-24. As ringgit slightly strengthened last month, we believe the outflows of funds from the debt market softened (or could have reversed) thus supporting the appreciation of the local currency, despite the net selling of equities.

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



**Chart 8: FBMKLCI and MGS 10-Yield Movement in Jan-25**

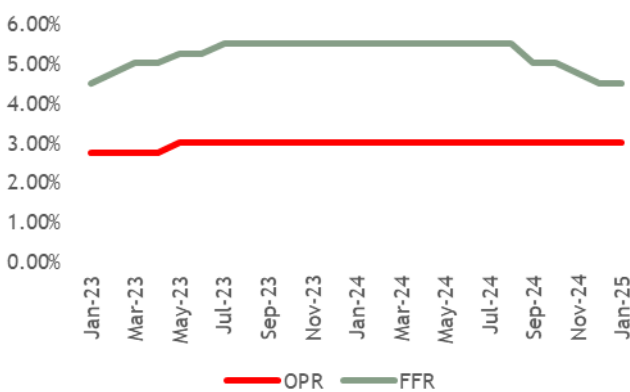


Source: Bloomberg, MIDFR

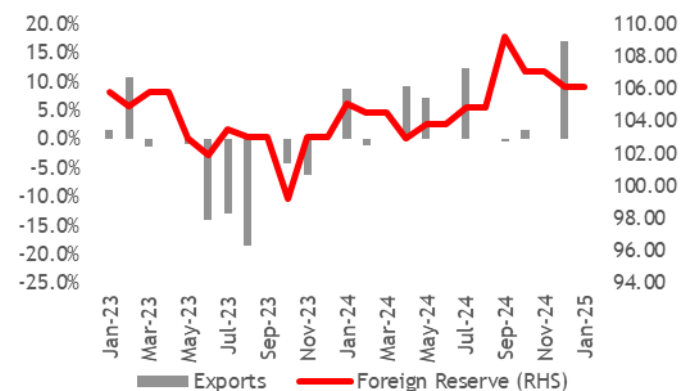
Source: Bloomberg, MIDFR

**Ringgit to appreciate further into 2025.** We continue to expect that the Malaysian ringgit will remain on track on its strengthening trend against the USD, however at a more gradual pace on the back of the movement in the US monetary policy trajectory. We think that the ringgit will appreciate with an average of USDMYR4.23 for the year. Although the unwinding of the US monetary policy will be slower than previously expected and interest rate differential spreads may continue to remain wide, the narrowing later in the year will still favour the emerging market currencies including the ringgit. Malaysia’s growth fundamentals also remain supportive for ringgit to strengthen given the continued surplus in terms of the balance of trade and current account. On the same note, we expect our MIDF TWRI to increase towards 95.0 by year-end as we expect ringgit could appreciate further against other currencies. 📈

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



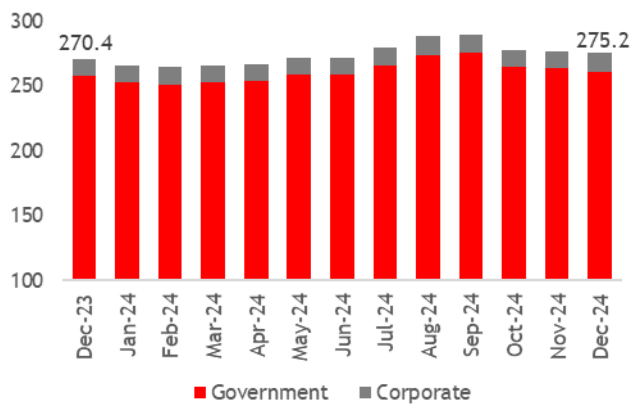
**Chart 10: Exports (YoY%) and Foreign Currency Reserves (USD b)**



Source: Bloomberg, MIDFR

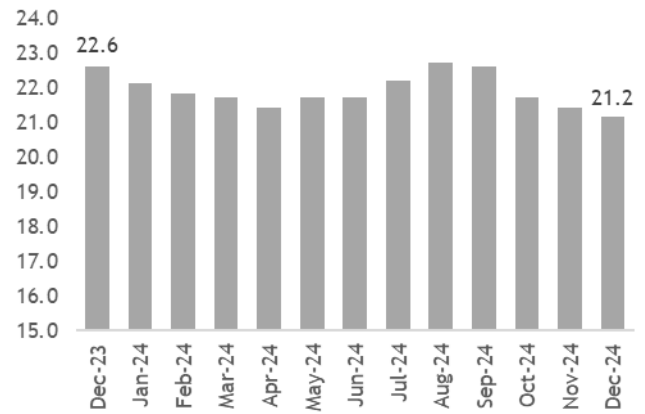
Source: Bloomberg, IMF, MIDFR

**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

## January 2025 Key Economic Events

**3 Jan: Dollar at two-year high on growth outlook, euro tumbles** The U.S. dollar jumped to a two-year high on Thursday in the first day of 2025 trading, building on last year's strong gains on expectations U.S. growth will beat peers and keep U.S. interest rates relatively elevated. Policies by U.S. President-elect Donald Trump are also expected to boost growth and potentially add to upward price pressures.

**8 Jan: Bank Negara international reserves fall to US\$116.2bil** Bank Negara's international reserves fell to US\$116.2bil as of Dec 31, 2024, compared with US\$118.1bil as of Dec 13. "The reserves position is sufficient to finance 5.0 months of imports of goods and services and is 1.0 times of the total short-term external debt," the central bank said in a statement.

**14 Jan: Bank of Japan to discuss interest rate hike next week - deputy chief** Bank of Japan Deputy Governor Ryozi Himino has signalled that an interest rate hike may be on the cards at the monetary policy meeting on January 23-24, as many of the shocks to the Japanese economy and deflationary factors have been resolved.

**17 Jan: Ringgit continues to close weaker against US dollar** The ringgit weakened against the US dollar at the close today on cautious market sentiment ahead of the inauguration of Donald Trump as the US president on Monday, said an analyst. At 6pm, the ringgit fell to 4.5040/5085 against the greenback from Thursday's closing of 4.5005/5050.

**20 Jan: BRICS' Indonesia, Russia in Talks to Use Local Currencies for Trade** A Russian diplomat said Monday that his country had engaged in talks to use local currencies for trade with BRICS newcomer Indonesia as Moscow remained an outcast from the international system for cross-border transactions.

**21 Jan: Dollar rebounds and stocks climb with all eyes on Trump 2.0** The dollar rallied on Tuesday after plunging the previous day and stocks rose as Donald Trump's return to the White House brought mixed messaging on tariffs and highlighted markets' twitchiness about trade policy. The Canadian dollar and Mexican peso bore the brunt of the market swings on Tuesday and Monday.

**23 Jan: Ringgit opens higher than US dollar after Bank Negara keeps OPR at 3.0pc** The ringgit opened higher against the US dollar and other major currencies, buoyed by Bank Negara Malaysia's (BNM) Monetary Policy Committee's (MPC) announcement on the Overnight Policy Rate (OPR). At 8 am, the ringgit stood at 4.4335/4500 against the US dollar compared to yesterday's closing rate of 4.4340/4400.

**29 Jan: Brazil central bank hikes interest rate as Lula's woes mount** Brazil's central bank on Wednesday hiked its key interest rate to 13.25 percent in more bad news for leftist President Luiz Inacio Lula da Silva's government, which is struggling to curb high inflation.

**30 Jan: ECB to cut interest rates, keep door open to further easing** The European Central Bank is all but certain to cut interest rates on Thursday and is likely to keep open the door to further policy easing as concerns over lacklustre economic growth supersede worries about persistent inflation.

**6 Jan: China's central bank rhetoric on yuan stability takes aim at depreciation risks** China's central bank has signalled its resolve to stabilise the yuan's exchange rate, with a stronger tone taken during its latest policy meetings, as the Chinese currency looks to be directly affected by US president-elect Donald Trump's policies.

**9 Jan: China central bank defends yuan with record \$8.2bn bill issue in Hong Kong** The PBOC on Thursday said it will issue renminbi-denominated central bank bills worth a record 60 billion yuan (\$8.18 billion) in Hong Kong, in what analysts said was an effort by the central bank to defend the currency from weakening.

**15 Jan: Bank Negara likely to tighten monetary policy** Inflation may accelerate in the second half of this year to around 4% from 2% on a combination of strong economic growth as well as the rationalisation of the RON95 petrol subsidy, according to an economist. This may in turn convince Bank Negara to raise the benchmark overnight policy rate (OPR) by 25 basis points to 3.25%.

**19 Jan: China's Central Bank Injects Near-Record Amount of Liquidity into Banking System** The Bank of Japan raised its key interest rate to about 0.5% from 0.25% Friday, noting that inflation is holding at a desirable target level. "The economy is gradually recovering," BOJ Gov. Kazuo Ueda told reporters after a two-day policy board meeting in Tokyo.

**20 Jan: Asian Currencies Edge Higher as Dollar Weakens Before Trump Inauguration** Asian currencies rose slightly on Monday as the U.S. dollar weakened ahead of President-elect Donald Trump's inauguration. Markets remained cautious amid concerns about potential trade tariffs on Chinese exports, which could trigger a trade war and impact trade-dependent Asian economies.

**22 Jan: Bank Negara keeps OPR at 3%** As widely expected, Bank Negara maintained the status quo on the overnight policy rate (OPR) at the conclusion of its two-day monetary policy meeting. In a statement issued today, the central bank said it has kept the benchmark lending rate at 3%, in line with a consensus of analysts. The OPR rate has been fixed at the current level since May 3, 2023.

**27 Jan: Turkey's central bank lowers benchmark interest rate to 45%** Turkey's central bank lowered its key interest rate by 2.5 percentage points to 45% on Thursday, in its second rate cut in as many months as official figures showed inflation was easing. The bank's Monetary Policy Committee said it was reducing its benchmark one-week repo rate to 45% from the current 47.5%.

**30 Jan: Fed holds interest rates steady as inflation remains above 2%** The Federal Reserve said Wednesday that it will leave its benchmark rate unchanged, hitting the brakes on lowering borrowing costs for individuals and businesses after a flurry of rate cuts starting last fall.

**31 Jan: 100pct tariffs on Brics countries if they create new currency: Trump** US President Donald Trump said he will impose 100 percent tariffs on Brics countries if they create a new currency, reported Sputnik/RIA Novosti. "The idea that the Brics countries are trying to move away from the dollar, while we stand by and watch, is over."

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