

09 January 2020

BNM International Reserves

Up 0.4% in December, charting the highest level in five months

- Bank Negara Malaysia (BNM) international reserves edged up by USD0.4b or 0.4% MoM to a five-month high of USD103.6b as at 31st December 2019

- Sufficient to finance 7.5 months of retained imports and is 1.1 times total short-term external debt.

- Higher foreign reserves due to an increase in foreign currency reserves and other reserve assets

- Foreign currency reserves (+USD0.4b or 0.4% MoM to USD97.2b): fastest expansion in five months, reflecting higher repatriation of export earnings and revaluation gains.
- Other reserve assets (+USD0.1b or 2.4% MoM to USD2.3b): the highest recorded in eight months.
- Other components remained broadly unchanged.

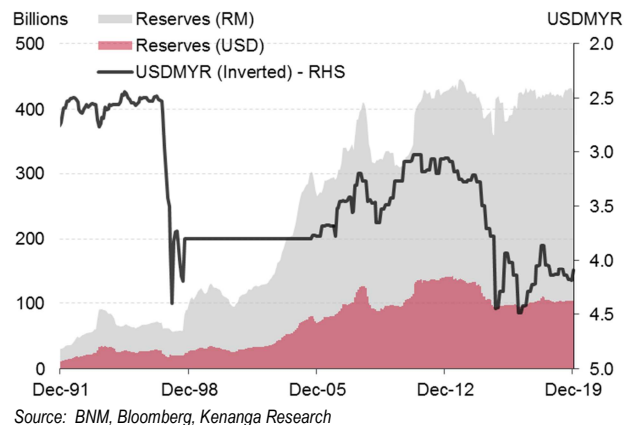
- In Ringgit terms, the value of BNM reserves decreased by RM7.9b or -1.8% MoM to RM424.1b

- USDMYR: traded at an average of RM4.146 in December (Nov: RM4.155), its strongest level in five months, appreciating by 0.21% MoM (Nov: 0.8%) on optimism of an imminent US-Sino interim trade pact.
- Other regional currencies: majority of the currencies gained in December, led by the Singapore Dollar (0.37%), followed by Indonesian Rupiah (0.37%) and Thai Baht (0.15%). The Philippine Peso (1.2%) bucked the trend, depreciating by a marginal 0.1%.

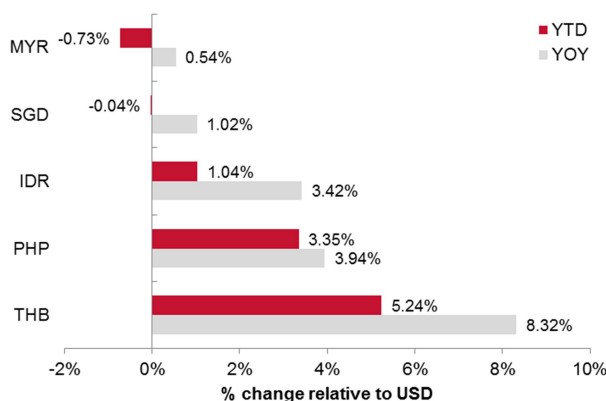
- BNM to lean towards further easing as soon as early 1Q20 to support growth

- Cautious growth outlook retained, in spite of the phase-1 US-China trade deal, as the impact of existing tariffs would still weigh on global trade and growth in the immediate term. Coupled with continued weakness in domestic economic indicators, we reckon that the BNM may decide to slash the OPR by 25 basis points to 2.75% as soon as early 1Q20.
- USDMYR year-end forecast (4.10; 2019: 4.09): expectation of an improved capital flows into the emerging markets amid a low interest rate environment to lift the Ringgit in the 1H20, possibly testing the 4.00 support level. Nonetheless, it will remain volatile throughout the year, but more prominently in 1H20 before settling at 4.10 by end-2020, driven by developments on global geopolitical unrests and narrower current account surplus.

Graph 1: Malaysia's International Reserves



Graph 2: ASEAN-5 Currencies Performance (as at Dec-19)



Graph 3: 10-Year US Treasury Vs MGS Yield



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Table 1: Latest Update and Historical Milestone for BNM Reserves

		RM bil	Change frm Prev Mth	USDMYR	US bil	Change frm Prev Mth	Months of retained	Times of ST
	Month	O/stand.	RM bil	Average	O/stand.	US bil	Imports.	Debt
Pre crisis high	Jan-94	89.99	13.51	2.7598	32.61	4.29	na	na
Start of Asian Financial Crisis (AFC)	Apr-97	70.93	-1.26	2.5110	28.25	-0.87	na	na
Reserves at its lowest in USD term	Nov-97	61.30	-0.40	3.5022	17.50	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	4.3990	20.25	-1.46	3.2	na
Govt imposed capital control and pegged ringgit at 3.80 to USD	Sep-98	81.51	23.6	3.8000	21.45	1.22	4.4	na
USDMYR peg removed	Jul-05	297.17	13.07	3.7978	78.25	3.48	9.0	7.6
Highest level post USDMYR de-peg (before GFC)	Jun-08	410.87	10.73	3.2665	125.78	0.59	10.0	5.1
Biggest single month decline in USD-terms	Sep-08	379.35	-20.83	3.4567	109.75	-12.84	9.0	4.1
Lowest level during the Global Financial Crisis	May-09	322.47	2.07	3.6513	88.32	0.59	8.3	3.8
Highest Level (in USD term)	May-13	436.80	3.52	3.0884	141.43	1.12	9.5	4.3
End-2016	Dec-15	424.15	24.51	4.4872	94.52	-1.87	8.8	1.3
End-2017	Dec-17	414.60	-15.79	4.0770	102.40	0.58	7.2	1.1
End-2018	Dec-18	419.54	-3.31	4.1729	101.40	-0.58	7.4	1.0
Latest release (end- 2019)	Dec-19	424.12	-7.87	4.1464	103.60	0.43	7.5	1.1

Source: Dept. of Statistics, Kenanga Research, CEIC, Bloomberg

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