

BNM International Reserves

Up 0.4% in May to a three-month high

- **Bank Negara Malaysia (BNM) international reserves edged up by USD0.4b or 0.4% MoM to a three-month high of USD102.9b as at 29 May 2020**

- Sufficient to finance 8.1 months of retained imports and is 1.1 times the total short-term external debt.

- **Higher foreign reserves attributable to an increase in foreign currency reserves and IMF reserve position amid economic reopening optimism**

- Foreign currency reserves (+USD0.4b or 0.5% MoM to USD96.5b): highest level in 3 months.
- IMF reserve position (+USD0.06b or 5.7% MoM to USD1.2b): fastest expansion in 10 months.
- Other components, namely other reserve assets, SDRs, and gold remained broadly unchanged.

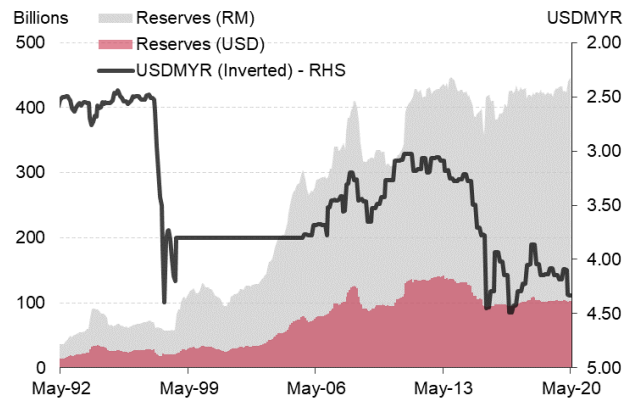
- **In Ringgit terms, the value of BNM reserves increased by RM2.1b or 0.5% MoM, the highest level in 79 months to RM445.8b**

- USDMYR: traded at an average of RM4.34 in May (Apr: RM4.36), appreciating by 0.3% MoM (Apr: -1.4%) despite US-China conflict and oil price volatility as risk appetite rises on the back of global economic reopening.
- Regional currencies (monthly average): broad-based appreciation against the USD on the back of risk-on environment, led by Indonesian Rupiah (6.4% MoM), followed by Thai Baht (1.7%), Philippines Peso (0.4%) and Singapore Dollar (0.4%).

- **BNM's dovish stance point to further rate reductions**

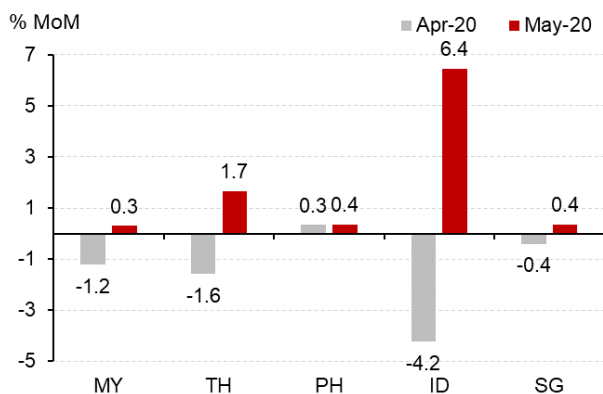
- The 50 bps reduction of the overnight policy rate (OPR) in the last Monetary Policy Committee (MPC) meeting and the accompanying dovish statement seemed to signal for more rate cuts to further support the economy post lockdown and to cushion any impact of the escalating Sino-US tension. Hence, we expect BNM to cut the OPR by another 25bps to 1.75% at its next MPC meeting in July. Nonetheless, we expect this may not hinder any potential rise in reserves in June.
- USDMYR year-end forecast (4.30; 2019: 4.09): Rising geopolitical tension between US and China coupled with a possible second wave impact of COVID-19, oil price volatility and the local political power tussle is expected to exert downward pressure on the economy, pushing the ringgit to trade weaker against the greenback or putting a cap of any potential upside on the local note.

Graph 1: BNM's International Reserves



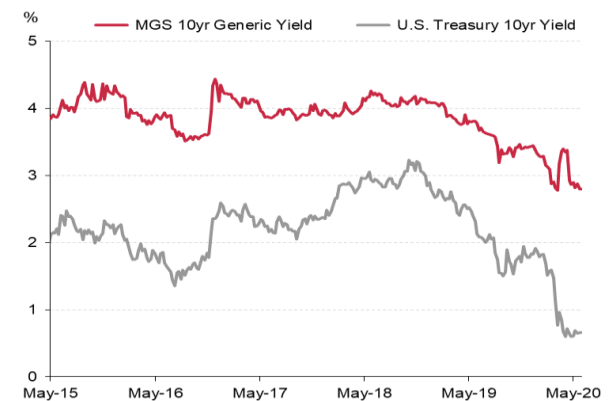
Source: BNM, Bloomberg, Kenanga Research

Graph 2: ASEAN-5 Currencies (monthly average)



Source: BNM, CEIC, Kenanga Research

Graph 3: 10-Year US Treasury vs. MGS Yield



Source: Bloomberg, Kenanga Research

09 June 2020

Table 1: Latest Update and Historical Milestone for BNM Reserves

	Month	RM bil O/stand.	Change frm Prev Mth RM bil	USDMYR Average	US bil O/stand.	Change frm Prev Mth US bil	Months of retained Imports.	Times of ST 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-16	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
End-2019	Dec-19	424.12	-7.87*	4.1464	103.60	0.44*	7.5	1.1
Latest release (end May-20)	May-20	445.78	2.05	4.3418	102.90	0.42	8.1	1.1

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

*: Change from the preceding year

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