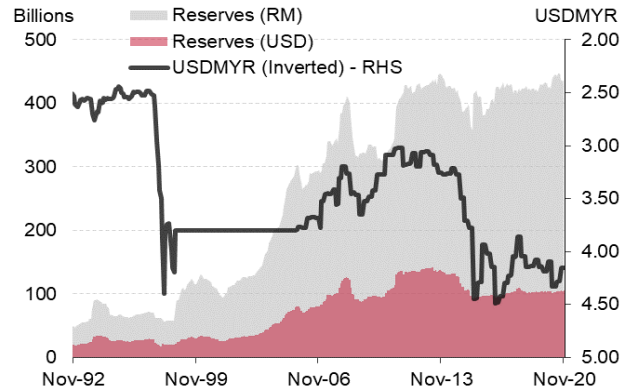


# BNM International Reserves

Up 0.7% MoM in November to a 30-month high

- Bank Negara Malaysia (BNM) international reserves rebounded by USD0.7b or 0.7% MoM to a 30-month high of USD105.3b as at 30 November 2020**
  - Sufficient to finance 8.6 months of retained imports and is 1.2 times the total short-term external debt.
- The rise was attributable to the improvement in financial market condition as reflected by an increase in foreign currency reserves and gold**
  - Foreign currency reserves (USD0.8b or 0.8% MoM to USD97.9b): rebounded after contracting in October, reaching its fastest expansion in 7 months.
  - Gold (+USD0.05 or 2.1% to USD2.4b): largest ever recorded.
  - Other reserve assets (-USD0.04b or -1.5% MoM to USD2.5b): decreased marginally.

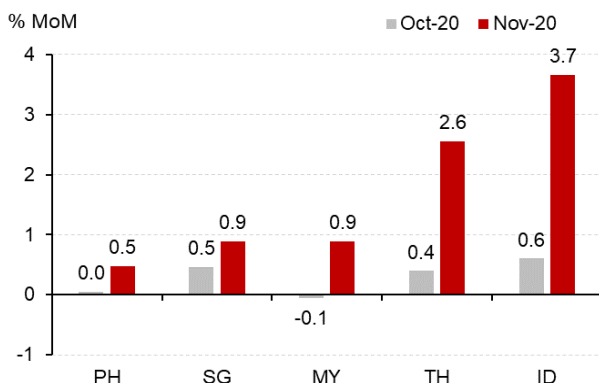
Graph 1: BNM's International Reserves



Source: BNM, Bloomberg, Kenanga Research

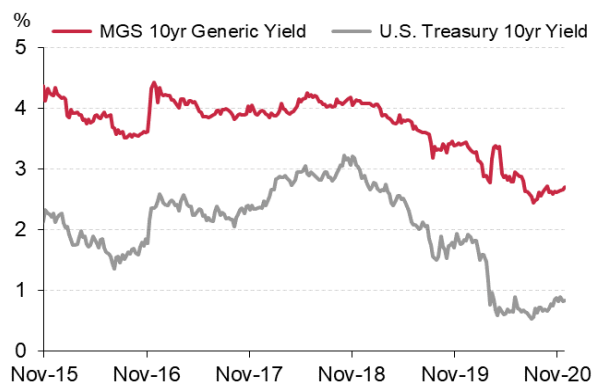
- In ringgit terms, the value of BNM reserves increased by 2.6b or 0.6% MoM to RM437.5b after two consecutive months of declines**
  - USDMYR: gained 0.9% MoM (Oct: -0.1%) and trade at an average of RM4.1130 in November (Oct: RM4.1500), close to the level seen before the pandemic hit, as the local note gained momentum against a weakening US dollar amid Biden's victory, favourable vaccine headlines and improving average Brent crude oil price.
  - Regional currencies (monthly average): broad-based appreciation against the greenback due to global risk-on environment, led by IDR (3.7%), followed by THB (2.6%), and SGD (0.9%) and PHP (0.5%).
- BNM to keep policy rate on pause**
  - Although Bank Negara Malaysia (BNM) still has the capacity to cut the overnight policy rate (OPR) by another 25bps, we see a higher probability that BNM would keep the OPR unchanged at 1.75% on the back of improving economic conditions and positive vaccine sentiment. Nevertheless, risks remain tilted to the downside due to the ongoing COVID-19 pandemic.
  - USDMYR year-end forecast (4.07; 2019: 4.09): Despite continuous rise in local COVID-19 cases, the ringgit is seen to remain boosted for the rest of the year as the persistent weakness of the US dollar may continue to induce risk-taking. In addition, growing optimism on a COVID-19 vaccine may further boost investor confidence, prompting ringgit to further strengthen in the near term. Hence, we have revised our USDMYR year-end forecast to 4.07 from 4.30.

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

08 December 2020

**Table 1: Latest Update and Historical Milestone for BNM Reserves**

	Month	RM bil O/stand.	Change frm Prev Mth RM bil	USDMYR End Period	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	<b>17.50</b>	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	<b>4.3990</b>	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	<b>-12.84</b>	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	<b>141.43</b>	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*	4.0470	102.40	0.58*	7.2	1.1
End-2018	Dec-18	419.54	-3.31*	4.1356	101.40	-0.58*	7.4	1.0
End-2019	Dec-19	424.12	-7.87*	4.0933	103.60	0.44*	7.5	1.1
<b>Latest release (end Nov-20)</b>	<b>Nov-20</b>	<b>437.5</b>	<b>2.65</b>	<b>4.1138</b>	<b>105.3</b>	<b>0.71</b>	<b>8.6</b>	<b>1.2</b>

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

\*: Change from the preceding year

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