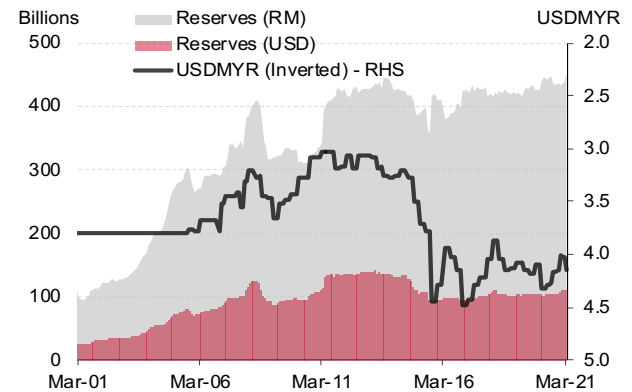


BNM International Reserves

Declined for the first time in five months in March on rising UST yields

- Bank Negara Malaysia (BNM) international reserves registered the first contraction in five months, falling by USD0.4b or 0.3% MoM to USD108.6b as of 31 March 2021**
 - Sufficient to finance 8.8 months of retained imports and is 1.2 times total short-term external debt.
- The decrease in gold and other reserve assets masked a rise in foreign currency reserves**
 - Gold (-USD0.3b or -10.9% MoM to USD2.1b): declined for the first time since 2018 to its lowest level in ten months.
 - Other reserve assets (-USD0.3b or -9.5% MoM to USD3.0b): dropped to its smallest in 2021.
 - Foreign currency reserves (+USD0.3b or 0.3% MoM to USD100.9b): expanded for five straight months, partly buoyed by revaluation gains.

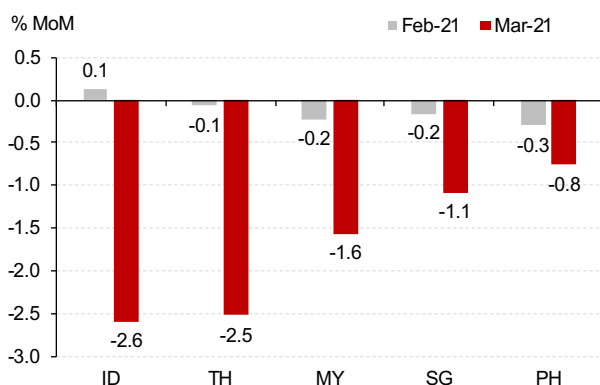
Graph 1: BNM's International Reserves



Source: BNM, Bloomberg, Kenanga Research

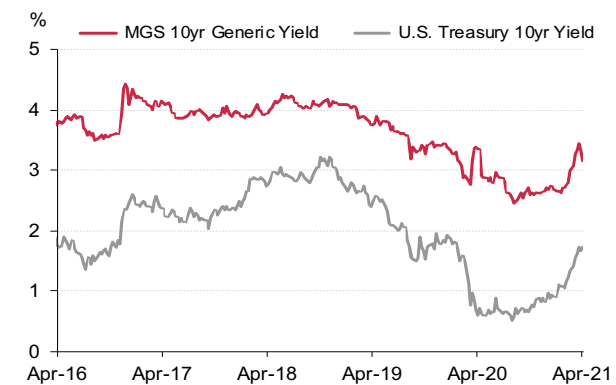
- In ringgit terms, the BNM reserves grew at the fastest pace in a year, rising by RM13.2b or 3.0% MoM to a record-high of RM451.1b**
 - USDMYR monthly average (4.109; Feb: 4.045): ringgit slipped to its weakest level since November 2020 (-1.6% MoM; Feb: -0.2%), as the pressure from the persistent rise in US Treasury yields offset support from the higher global oil price, improving domestic COVID-19 situation and Malaysia's removal from the FTSE Russell Watch List.
 - Regional currencies: tracking the same path, regional peers' currencies also depreciated against the USD, led by the IDR (-2.6% MoM), followed by THB (-2.5%), SGD (-1.1%) and PHP (-0.8%).
- BNM to maintain status quo on policy rate (1.75%) for the rest of the year**
 - This is against the prospect of growth recovery, amid further improvement in foreign demand, extended fiscal measures, the kick-off of the 2nd phase of the COVID-19 vaccination drive and the upcoming release of pent-up demand.
 - USDMYR year-end forecast (3.95; 2020: 4.02): The USDMYR may trade between 4.10 and 4.20 in the immediate term amid extended rise in the US bond yields and elevated worries over Europe's third wave of COVID-19. Nevertheless, we maintain our forecast of a stronger ringgit relative to 2020 on the back of the large US fiscal spending, Fed's ultra-loose monetary policy, rising commodity prices and a pick-up in domestic economic activities.

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 April 2021

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	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-2017	Dec-17	414.60	-9.56*	4.0470	102.40	7.92*	7.2	1.1
End-2018	Dec-18	419.54	-4.94*	4.1356	101.40	-1.00*	7.4	1.0
End-2019	Dec-19	424.12	4.59*	4.0933	103.60	2.17*	7.5	1.1
End-2020	Dec-20	432.2	8.12*	4.0158	107.60	4.02*	8.6	1.2
Latest release	Mar-21	451.1	13.18	4.1537	108.60	-0.36	8.8	1.2

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

*: Change from the preceding year

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