

BNM International Reserves

Almost hit a 7-year high of USD116.3b in August on new IMF SDRs allocation

- **Bank Negara Malaysia (BNM) international reserves rose by USD5.2b or 4.7% MoM to an 81-month high of USD116.3b as of 30 August 2021**

- Sufficient to finance 8.3 months of retained imports and is 1.3 times total short-term external debt.

- **This was underpinned by a big increase in Special Drawing Rights (SDRs), as well as foreign currency reserves and other reserve assets**

- SDRs (+USD4.9b or 418.6% MoM to USD6.1b): reached an all-time high as Malaysia received a total of SDR3.5b (approximately USD5.0b) from the IMF to help to combat this unprecedented health crisis.

- Foreign currency reserves (USD0.2b or 0.2% MoM to USD103.4b): largest position in 80 months.

- Other reserve assets (USD0.2b or 5.1% MoM to USD3.2b): fastest growth in seven months.

- **In ringgit terms, the BNM reserves hit a new record high of RM483.6b (+RM21.8b or 4.7% MoM)**

- USDMYR monthly average (4.217; Jul: 4.203): ringgit continued to decline (-0.3% MoM; Jul: -1.7%) against the USD for the seventh straight month in August, mainly due to a stronger USD index (average Aug: 92.8; Jul: 92.5) and lower average Brent crude oil price of USD70.5/barrel (July: USD74.3/barrel). In addition, the local note was heavily pressured by domestic political turbulence and worsening domestic COVID-19 infections (averaging over 20.0k new cases per day in August, as compared to 11.7k cases in July).

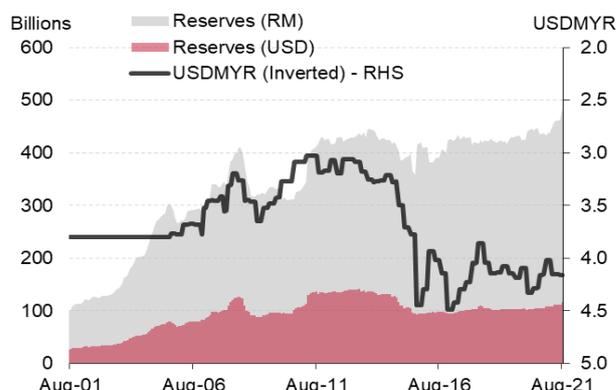
- Regional currencies: tracking the same path, THB (-1.3%) and PHP (-0.6%) depreciated against the greenback due to prolonged COVID-19 measures as Delta variant cases soared in both Thailand and Philippines. Bucking the trend, IDR (0.8%) strengthened against the USD amid improving COVID-19 condition in the country.

- **BNM is expected to stand pat on policy rate (1.75%) for the rest of 2021**

- As previously stated by the BNM, the monetary policy settings are set to remain accommodative in the foreseeable future to provide support to the economy and to ensure that price pressures remain manageable. As more states have shifted to Phase 2 and Phase 3 of the National Recovery Plan (NRP), we reckon that the BNM will keep the overnight policy rate unchanged at the upcoming meeting on Sep 9. Moving forward, due to the current pandemic uncertainty, the monetary policy outlook remains subject to the domestic COVID-19 situation and NRP progress.

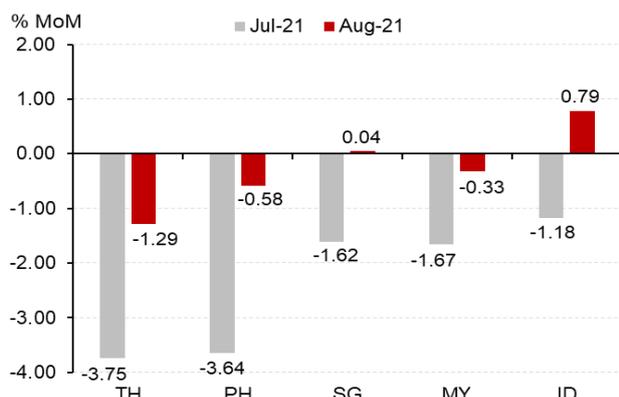
- USDMYR year-end forecast (4.18; 2020: 4.02): despite stabilising Brent crude oil price, the ringgit is expected to weaken in the near term due to the global COVID-19 uncertainty and a potential weakening of the yuan as the PBOC is set to ease its policy further. Moving into the 4Q21, the local note may gain some strength on the expectation that most part of the economy may begin to reopen. However, a bullish USD outlook towards the end of the year may limit any appreciation. Hence, we have recently revised our end-2021 USDMYR forecast to 4.18 from 4.03 previously.

Graph 1: BNM's International Reserves



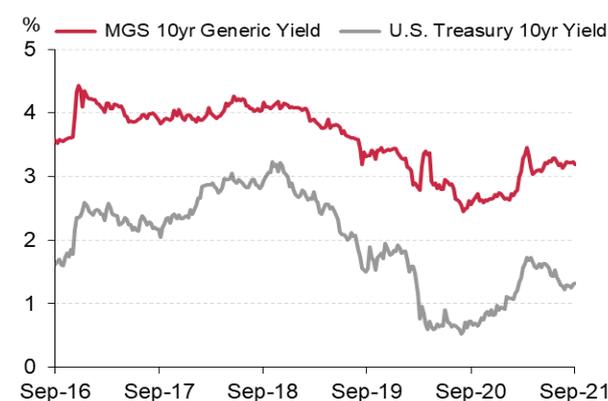
Source: BNM, Bloomberg, Kenanga Research

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

08 September 2021

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	End Period	O/stand d.	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-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	432.24	8.12*	4.0158	107.60	4.02*	8.6	1.2
Latest release (New high in RM term)	Aug-21	483.60	21.8	4.1582	116.30	5.24	8.3	1.3

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

*: Change from the preceding year

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