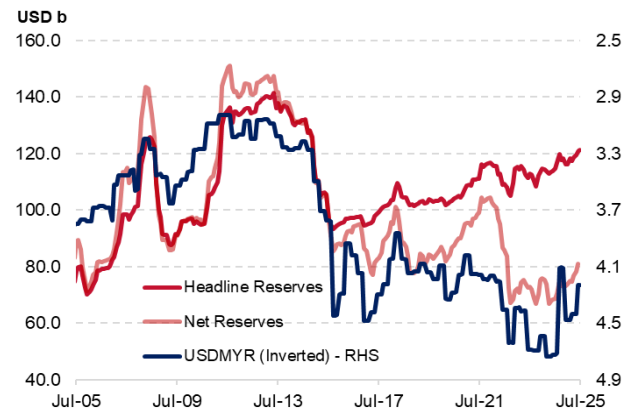


BNM International Reserves

Reach decade high in July, ringgit poised for more gains, unless tariffs bite

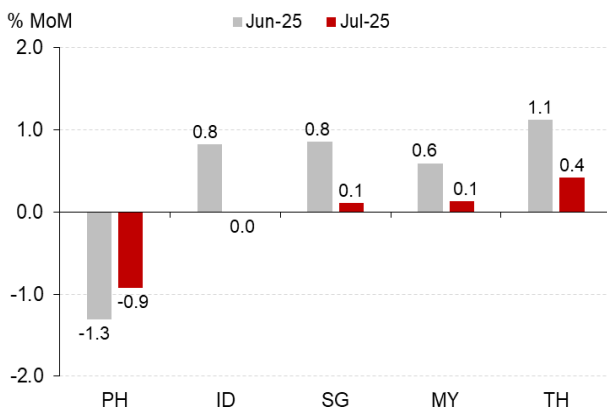
- Bank Negara Malaysia (BNM) international reserves rose by USD0.7b or 0.6% MoM to USD121.3b as of 31 July 2025, the highest level in over than a decade**
 - Despite the increase, both import coverage and the reserves-to-short-term external debt ratio remained at 4.8 months and 0.9 time respectively.
- The rise was primarily driven by gains in foreign exchange (FX) reserves**
 - FX reserves** climbed USD0.7b (+0.7% MoM) to USD107.7b, its highest level since November 2014, despite heavy capital outflows in July. Notably, BNM's net FX reserves surpassed USD70.0b in June for the first time in over three years, as short positions narrowed to USD23.2b (May: USD24.2b).
 - Other components namely gold, special drawing rights, IMF reserve position and other reserve assets were broadly unchanged.
- In ringgit terms, total reserves increased marginally by RM2.8b (0.5% MoM) to RM512.8b in July**
 - USDMYR monthly performance:** Despite the OPR cut, the ringgit appreciated for a sixth straight month in June, albeit modestly at 0.1% MoM (Jun: 0.6%). The USD continued to weaken on average, weighed down by a stronger EUR amid defensive reallocations ahead of the August 1 tariff deadline. However, by month-end, investors gravitated back to the safety of the greenback as sentiment turned, with expectations that sweeping tariffs would further disrupt global trade, driving the DXY higher.
 - Regional FX:** Most ASEAN-5 currencies gained against the USD in July, though appreciation was more muted, as the DXY slipped just 0.4% to 98.0 (Jun: 98.4). The THB once again led regional gains (+0.4%), followed by the MYR (+0.1%) and SGD (+0.1%). In contrast, the IDR (-0.01%) and PHP (-0.9%) declined.
- Steady growth prospect supports policy pause; ringgit outlook remains constructive**
 - Monetary Policy Outlook:** While some expect a further 25 bps OPR cut in 4Q25, we see limited urgency for further easing. Economic growth is expected to stay above 4.0%, while inflation remains anchored near 2.0%. In this setting, BNM is likely to keep the policy rate unchanged at 2.75%, maintaining a data-dependent stance as it assesses the effects of the July easing. Domestic yields remain appealing to foreign investors, particularly in bonds, where Malaysia's credit quality stands out regionally. That said, downside risks are clearly rising in 2H25. While Malaysia has secured favorable tariff access, Trump's proposed 100.0% tariff on chip imports tilts external risks higher. A decisive policy shift may come only if headline growth dips below 3.5%.
 - USDMYR year-end forecast (4.08; 2024: 4.47):** We retain our year-end USDMYR forecast of 4.08, supported by Malaysia's macro stability and ongoing fiscal reforms. Signs of stagflation are emerging in the US, with services inflation remaining elevated even as labour market conditions begin to soften. This has reignited expectations for more aggressive Fed rate cuts. At the same time, weak demand at recent US bond auction points to growing investor unease over long-term fiscal sustainability. Capital is rotating into the EU and reform-oriented EMs offering stronger fundamentals, with Malaysia among the key beneficiaries. As for trade risk, much will depend on the final details of Trump's proposed 100.0% tariff on semiconductors and other forthcoming trade measures.

Graph 1: BNM's International Reserves



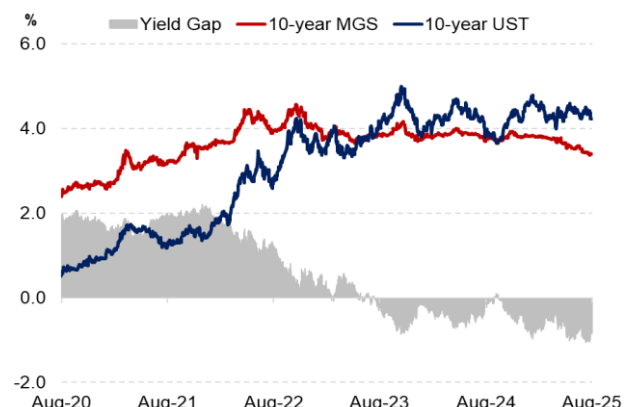
Source: BNM, Macrobond, Kenanga Research

Graph 2: ASEAN-5 Currencies (monthly average)



Source: Macrobond, Kenanga Research

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



Source: Bloomberg, Kenanga Research

08 August 2025

Table 1: Latest Update and Historical Milestone for BNM Reserves

		RM bil	Change from previous month	USDMYR	US bil	Change from previous month	Months of retained	Times of ST
	Month	O/stand.	RM bil	End Period	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
Highest Level (in MYR term)	Aug-24	550.45	9.19	4.7128	116.80	2.14	5.4**	1.0
End-2021	Dec-21	486.85	54.47*	4.1650	116.89	9.25*	7.7	1.2
End-2022	Dec-22	503.33	16.48*	4.3900	114.65	-2.24*	5.2**	1.0
End-2023	Dec-23	520.75	17.42*	4.5890	113.48	-1.18*	5.4**	1.0
End-2024	Dec-24	520.16	2.75*	4.4764	116.20	-0.71*	5.0**	1.0
Latest release	Jul-25	512.84	2.78	4.2279	121.30	0.69	4.8**	0.9

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

*: Change from the preceding year

**: Imports of goods and services (effective from 22 February 2022)

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