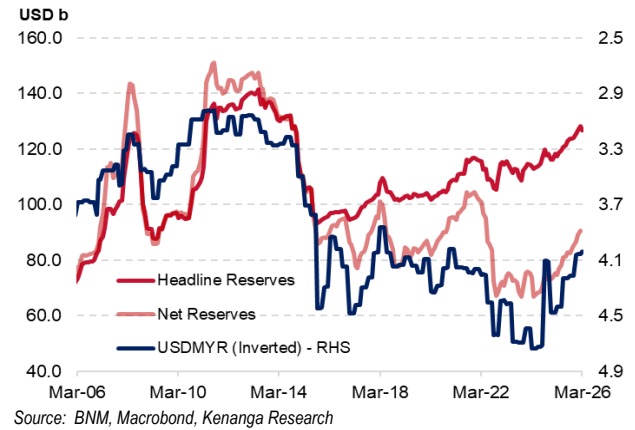


BNM International Reserves (end-Mar)

First decline in a year on FX revaluation losses, but fundamentals stay intact

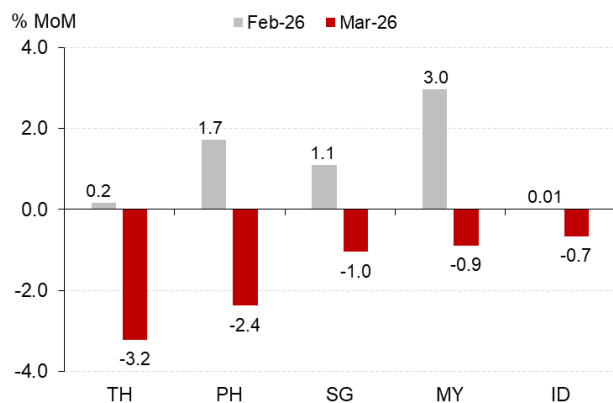
- Bank Negara Malaysia (BNM) international reserves fell USD1.7b (-1.3% MoM) to USD126.6b as of 31 March 2026, the first decline in 12 months**
 - Import cover eased slightly to 4.6 months (Feb: 4.7), while the reserves-to-short-term external debt ratio held steady at 0.9 time.
- Lower FX holdings drove the decline, while higher gold prices provided partial support**
 - Foreign currency reserves** fell USD1.7b (-1.5% MoM) to USD110.8b, weighed down by FX revaluation losses, despite sizeable net capital inflows. Notably net FX reserves rose to a 45-month high of USD81.1b in February (Jan: USD79.5b).
 - Gold reserves** increased by USD0.3b (+4.8% MoM) to a record high of USD6.4b, supported by a 5.6% QoQ rise in gold prices and higher holdings. BNM raised gold holdings to 1.41m fine troy ounces in February (Jan: 1.36m; Dec: 1.25m), a second consecutive increase after volumes had been unchanged since 2018.
 - Other reserve assets declined by USD0.2b, SDRs fell by USD0.1b, the IMF reserve position was unchanged.
- In ringgit terms, total reserves drop RM8.8b (-1.7% MoM) to RM511.4b in March, a three-month low**
 - USDMYR monthly performance:** The ringgit depreciated 0.9% in March, snapping four consecutive months of gains, averaging 3.95/USD (Feb: 3.91/USD), still about 8.0% stronger than its 10-year average of 4.27/USD. The move reflected stronger safe-haven USD demand amid the energy shock and West Asia tensions. The ringgit initially held up as elevated LNG prices partly offset rising global oil costs, with Malaysia's status as a leading LNG exporter provided a structural buffer relative to regional energy importers. That outperformance faded, however, as markets priced in prolonged conflict, lifting US inflation risks and triggering a hawkish repricing of Fed expectations that bolstered the USD.
 - Regional FX:** All ASEAN-5 currencies weakened against the USD as the DXY rose 2.1% MoM to 99.5 in March (Feb: 97.4). The THB led losses (-3.2%), followed by the PHP (-2.4%), SGD (-1.0%), MYR (-0.9%) and IDR (-0.7%).
- BNM to stay the course; the ringgit grapples with the West Asia risk premium**
 - Monetary Policy Outlook:** Malaysia enters the current energy shock from a position of relative strength. While GDP growth may moderate to 4.5% in 2026 (2025: 5.2%), mineral resources and energy exports provide a meaningful buffer. Higher prices buoy energy sector investment and widen the government's fiscal headroom. That said, a prolonged closure of the Strait of Hormuz poses a material downside risk, as Malaysia remains a net oil importer reliant on West Asian supply. BNM is likely to stay patient. We expect the OPR to remain at 2.75% through 2026, with inflation staying manageable and within official targets.
 - USDMYR year-end forecast (3.95; 2025: 4.06):** We maintain our year-end USDMYR forecast of 3.95 for 2026, despite a wider risk distribution. The ringgit is undergoing structural de-commoditisation and no longer benefits from rising oil prices. Instead, safe-haven USD demand and regional sentiment are now the key drivers. We remain constructive on the long-term trajectory, but the ringgit is tethered more to geopolitical developments than energy markets. The duration of the West Asia conflict remains the decisive variable for the ringgit through 2026.

Graph 1: BNM's International Reserves



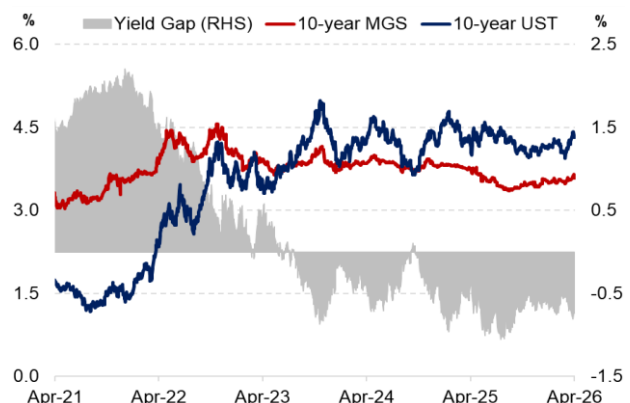
Source: BNM, Macrobond, Kenanga Research

Graph 2: ASEAN-5 Currencies (monthly average)



Source: Macrobond, Kenanga Research

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



Source: Bloomberg, Kenanga Research

8 April 2026

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-2022	Dec-22	503.33	16.48*	4.3900	114.65	-2.24*	5.2**	1.0
End-2023	Dec-23	520.75	17.53*	4.5890	113.48	-1.18*	5.4**	1.0
End-2024	Dec-24	520.16	-0.73*	4.4764	116.20	-2.74*	5.0**	1.0
End-2025	Dec-25	509.78	-10.35*	4.0620	125.50	9.28*	4.7**	1.0
Latest release	Mar-26	511.38	-8.77	4.0393	126.6	-1.70	4.6**	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)

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my