

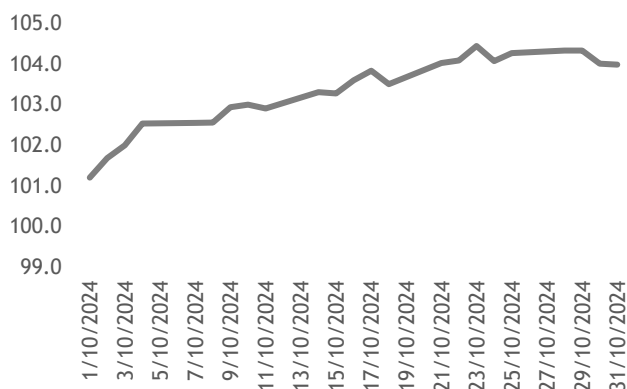
CURRENCY | Oct-24 Monthly Currency Review

Ringgit Reversed Some Gains as Market Adjusted Expectations on the Pace of Fed’s Rate Cuts

- *USD strengthened back to more than 2-month high. The US dollar appreciated against major currencies in Oct-24 as the DXY dollar index rose by +3.2%mom to 103.98 (end-Sep-24: 100.78), the first monthly gain after 3 months of declines as market no longer anticipating for another large rate cut by the Fed.*
- *Ringgit weakened back to mid-Aug-24 level. Malaysian ringgit weakened by -5.8%mom and ended the month at RM4.381, where the monthly depreciation was the steepest since -6.1%mom in Nov-16.*
- *TWRI fell as ringgit weakened against trading partner currencies. Ringgit also weakened against currencies of Malaysia’s major trading partners as shown by our MIDF Trade-Weighted Ringgit Index (TWRI) which fell by -3.3%mom to 91.33 in Oct-24 (Sep-24: 94.49).*
- *Appreciation bias for ringgit in the coming months. We foresee Malaysian ringgit will strengthen again in the coming months and end the year stronger at RM4.03 (end-2023: RM4.59). We expect out MIDF TWRI to go higher to 93.0 by year-end. However, we reiterate there are downside risks to our forecast which may lead to prolonged strength in the US dollar.*

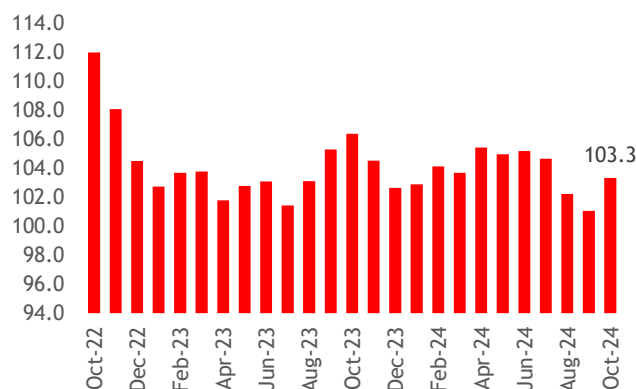
USD strengthened back to more than 2-month high. The US dollar appreciated against major currencies in Oct-24 as the DXY dollar index rose by +3.2%mom to 103.98 (end-Sep-24: 100.78), the first monthly gain after 3 months of declines. Based on average, the monthly the dollar index increased by +2.2%mom to 103.31 (Sep-24: 101.05), the highest in 3 months. The strengthening of the dollar was mainly driven by the shift in market expectations, no longer anticipating for another large rate cut by the Fed, as the recent economic data pointed to continued resilience in the US economy. For example, job creation in Sep-24 was far stronger than market expectations. Retail sales and CPI also increased more than expected. As a result, the DXY index increased and closed at intra-month high of 104.43 on 23 October 2024. However, dollar fell towards month-end as Beige Book report indicated sluggish economy, the pace of US GDP growth in 3QCY24 was below expectations, and PCE inflation experienced further moderation in Sep-24, supporting for more rate cuts by the Fed. This led to the dollar index ending the month slightly below 104 level.

Chart 1: Movement of DXY Dollar Index in Oct-24



Source: Bloomberg, MIDF

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

Broad strengthening of dollar against most currencies. The strengthening of US dollar in Oct-24 was broad-based, appreciating against both major and regional currencies. Among the major currencies, euro and pound sterling depreciated by -2.3%mom and -3.6%mom, respectively. Among Asian currencies, the smallest depreciation were recorded by Indian rupee (-0.3%mom) and Taiwan dollar (-1.1%mom). In contrast, Japanese yen (-5.5%mom) and Malaysian ringgit (-5.8%mom) were among the worst performing currencies during the month. For Indian rupee, despite the small depreciation, the outflows of funds caused the currency to weaken and reached all-time low of INR84.09 to the dollar by end-Oct-24.

Table 1: End Period of USD Against Selected Currencies, YTD Change and MoM Change

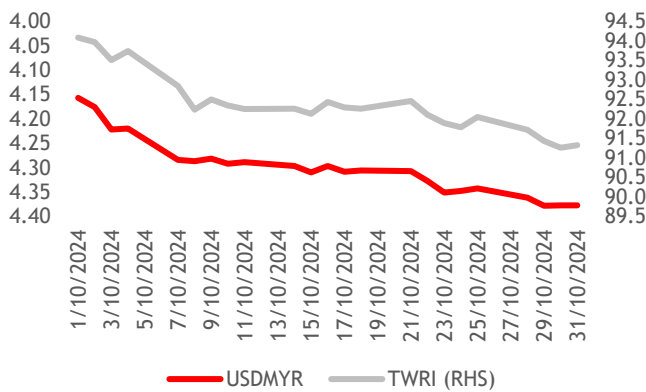
	2020	2021	2022	2023	Oct-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	103.98	+2.6%	+3.2%
USDINR	73.07	74.34	82.74	83.21	84.09	-1.0%	-0.3%
USDTHB	28.09	27.67	30.73	30.58	32.02	-4.5%	-1.1%
USDCNY	6.527	6.356	6.899	7.1	7.118	-0.3%	-1.4%
EURUSD	1.222	1.137	1.071	1.104	1.088	-1.4%	-2.3%
USDSGD	1.322	1.349	1.34	1.32	1.32	+0.0%	-2.6%
USDVND	23,098	22,826	23,633	24,269	25,280	-4.0%	-2.8%
USDCAD	1.273	1.264	1.355	1.324	1.393	-5.0%	-2.9%
GBPUSD	1.367	1.353	1.208	1.273	1.29	+1.3%	-3.6%
USDIDR	14,050	14,263	15,573	15,399	15,698	-1.9%	-3.6%
USDPHP	48.03	50.99	55.74	55.39	58.11	-4.7%	-3.6%
USDTHB	29.96	33.21	34.61	34.26	33.79	+1.4%	-4.0%
USDKRW	1,087	1,190	1,260	1,291	1,377	-6.3%	-4.5%
USDAUD	1.3	1.377	1.468	1.468	1.519	-3.4%	-4.8%
USDJPY	103.25	115.08	131.12	141.04	152.03	-7.2%	-5.5%
USDMYR	4.02	4.167	4.405	4.594	4.378	+4.9%	-5.8%

Source: Bloomberg, MIDFR

Ringgit weakened back to mid-Aug-24 level. Despite the remarkable appreciation of ringgit in the previous month, Malaysian ringgit weakened by -5.8%mom and ended the month at RM4.381, the weakest level last seen in mid-Aug-24. This caused the ringgit's year-to-date appreciation to drop to +4.9%ytd, more than half lower than +11.4%ytd at end-Sep-24. As a result, the ringgit was the worst performing currencies in Oct-24, where the -5.8%mom monthly depreciation was the steepest since -6.1%mom in Nov-16. While Malaysia's economic fundamentals and outlook remained positive, the weakening of ringgit and other regional currencies was due to the pullback of funds from emerging markets following the review in market anticipation on the future path of rate cuts by the Fed. The Fed is not expected to ease its monetary policy aggressively which could cause inflation to re-accelerate again given the continued resilience in the economy and job market in the US.

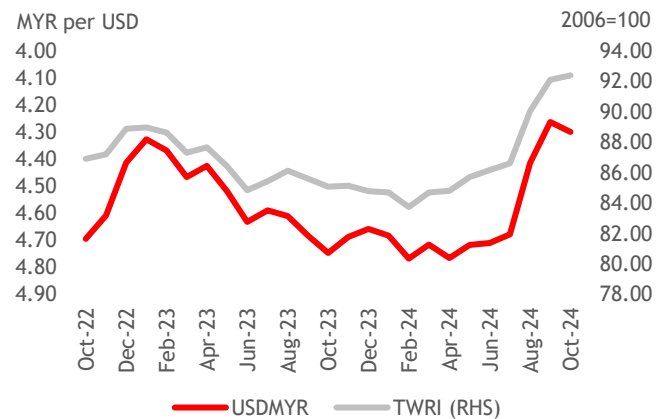
TWRI fell as ringgit weakened against trading partner currencies. Ringgit also weakened against currencies of Malaysia's major trading partners as shown by our MIDF Trade-Weighted Ringgit Index (TWRI) which fell by -3.3%mom to 91.33 in Oct-24 (Sep-24: 94.49). While the average MIDF TWRI still increased by +0.3%mom to 92.38 (Sep-24: 92.10), this indicates the weakening of ringgit did not fully erase the sharp appreciation in Sep-24. On the year-to-date basis, the TWRI index still gained by +7.0%ytd, particularly boosted by double-digit gains against Japanese yen (+13.4%ytd), Korean won (+12.2%ytd) and Philippine peso (+10.1%ytd) until end-Oct-24.

Chart 3: USDMYR vs. MIDF TWRI in Oct-24



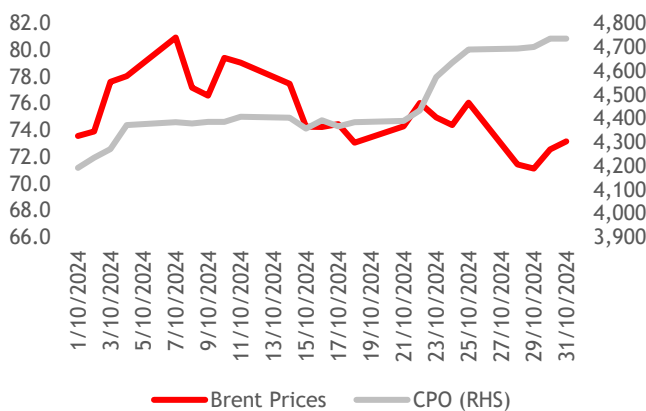
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



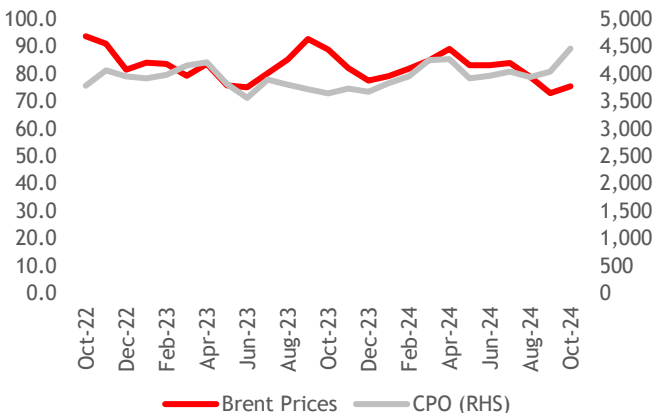
Source: Bloomberg, MIDFR

Chart 5: Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne) Prices



Source: Bloomberg, MIDFR

Chart 6: Monthly Average Prices of Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne)



Source: Bloomberg, MIDFR

Ringgit weakened against most currencies. The steeper depreciation in ringgit caused the local currency's exchange rates to also weaken against other currencies. Ringgit experienced the sharpest weakening against Sri Lankan rupee (-6.9%mom), Bangladeshi taka (-5.8%mom) and US dollar (-5.8%mom). In contrast, ringgit depreciated the least against Japanese yen (-0.3%mom) and Korean won (-1.2%mom). Against the other major currencies, ringgit depreciated against both pound sterling (-2.5%mom) and euro (-2.9%mom).

Table 2: End Period of MYR Against Selected Currencies, YTD Change and MoM Change

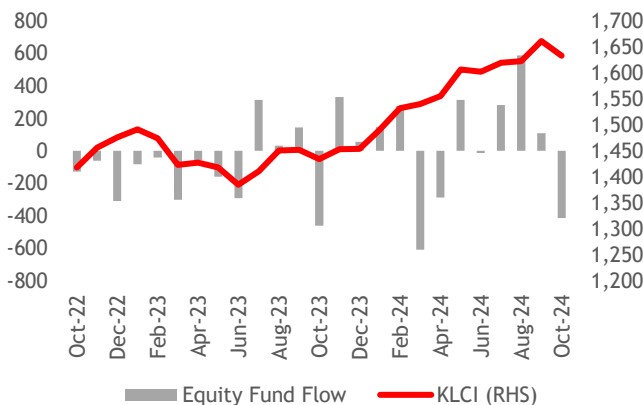
	2020	2021	2022	2023	Oct-24	YTD Change	MoM Change
JPYMYR	3.891	3.62	3.358	3.255	2.880	13.0%	-0.3%
KRWMYR	0.37	0.35	0.35	0.356	0.317	12.2%	-1.2%
THBMYR	13.38	12.56	12.75	13.40	12.97	3.3%	-1.5%
PHPMYR	0.084	0.082	0.079	0.083	0.075	10.4%	-2.1%
IDRMYR	0.029	0.029	0.028	0.030	0.028	7.1%	-2.3%
GBPMYR	5.495	5.631	5.299	5.837	5.668	3.0%	-2.5%
SGDMYR	3.043	3.086	3.283	3.478	3.309	5.1%	-2.7%
EURMYR	4.946	4.719	4.693	5.076	4.750	6.9%	-2.9%
CADMYR	3.156	3.271	3.251	3.467	3.146	10.2%	-3.1%
VNDMYR	0.174	0.183	0.187	0.189	0.173	9.4%	-3.1%

	2020	2021	2022	2023	Oct-24	YTD Change	MoM Change
CNYMYR	0.616	0.655	0.638	0.646	0.615	5.1%	-4.5%
TWDMYR	0.143	0.151	0.143	0.150	0.137	9.9%	-4.7%
TRYMYR	0.541	0.312	0.235	0.155	0.128	21.7%	-5.5%
NPRMYR	0.034	0.035	0.033	0.035	0.033	6.1%	-5.5%
USDMYR	4.020	4.167	4.405	4.594	4.378	4.9%	-5.8%
BDTMYR	4.751	4.831	4.271	4.181	3.661	14.1%	-5.8%
LKRMYR	0.022	0.021	0.012	0.014	0.015	-5.0%	-6.9%

Source: Bloomberg, MIDFR

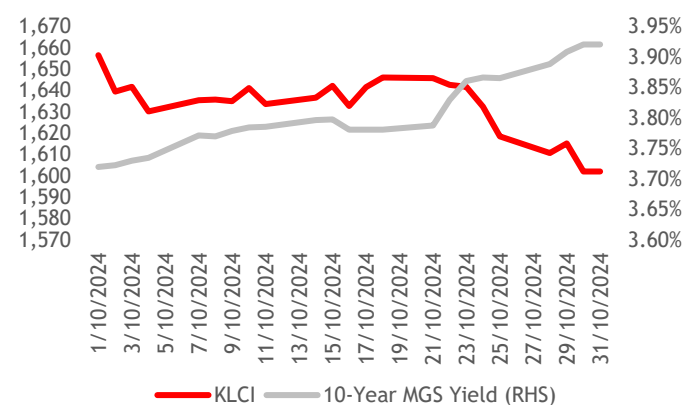
Net outflows of funds from the equity market. Funds flew out of the equity market in Oct-24 as foreign investors net sold Malaysian equities by -RM476.67m (Sep-24: +USD109.71m), the first monthly outflows in 4 months. The amount was the second largest after net outflows of -RM608.56m in Mar-24. In terms of foreign flows into the domestic debt market, the latest available statistics shows the foreign holding of Malaysian debt securities rose further to RM289.1b in Sep-24 (Aug-24: RM288.1b), the highest on record. As ringgit weakened last month, we believe the outflows of funds from the debt market also contributed to the weakening of local currency, apart from to the net selling of equities.

Chart 7: FBMKLCI (Average) vs Fund Flow Into Malaysian Equity (USD m)



Source: Bloomberg, MIDFR

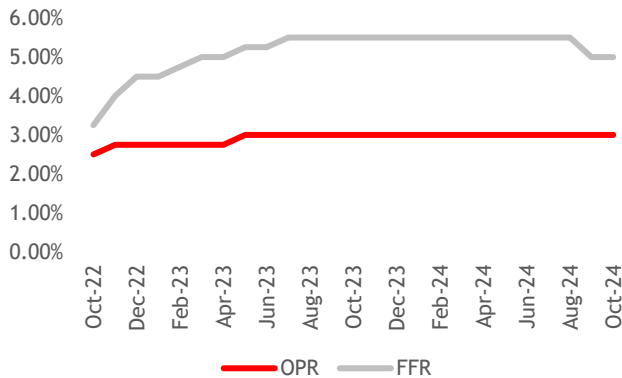
Chart 8: FBMKLCI and MGS 10-Yield Movement in Oct-24



Source: Bloomberg, MIDFR

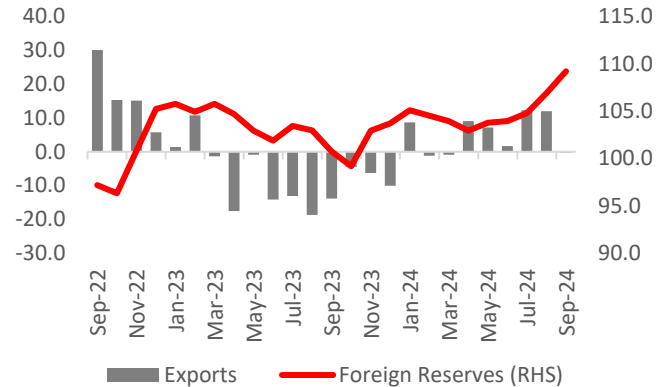
Appreciation bias for ringgit in the coming months. We foresee Malaysian ringgit will strengthen again in the coming months and end the year stronger at RM4.03 (end-2023: RM4.59). This mainly based on the expectations of further policy easing by the Fed and the narrowing interest rate differential which will be in favour of emerging market currencies including ringgit. Malaysia's growth fundamentals also support for ringgit to strengthen given continued surplus in terms of balance of trade and current account. On the same note, we expect our MIDF TWRI to increase towards 93.0 by year-end as we expect ringgit could appreciate further against other currencies. However, we reiterate the are downside risks which may lead to prolonged strength in the US dollar. This can be due to delayed cuts by the Fed, either because of possible re-acceleration in inflation or continued resilience in the US economy. On the other hand, demand for dollar could increase due to flight to safety which can be triggered by concerns over global growth outlook, which can be caused by worsening and widening of geopolitical conflicts and potentially weaker-than-expected growth outlook in major economies. 

Chart 9: Fed Funds Rate vs OPR at Month-End (%)



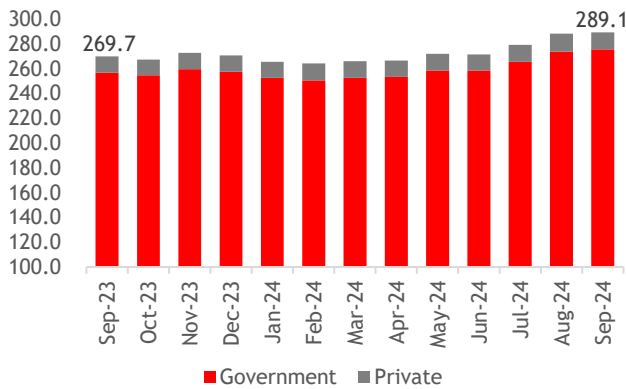
Source: Bloomberg, MIDFR

Chart 10: Exports (YoY%) and Foreign Currency Reserves (USD b)



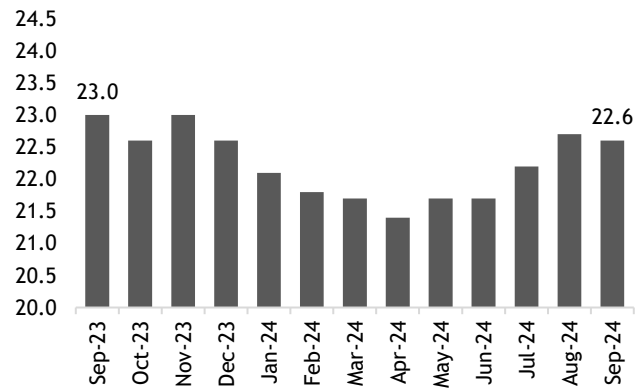
Source: Bloomberg, IMF, MIDFR

Chart 11: Foreign Holdings of Malaysian Bonds (RM b)



Source: BNM, Bondstream, MIDFR

Chart 12: Foreign Holdings as % of Outstanding Malaysian Government Bonds



Source: BNM, Bondstream, MIDFR

Table 3: Quarterly Forecast for MYR and MGS 10-year yield

Indicator	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24f
Exchange Rate, vs USD (average)	4.63	4.70	4.72	4.73	4.46	4.23
Exchange Rate, vs USD (end-period)	4.70	4.59	4.72	4.72	4.12	4.03
10Y Government Bond Yield (average)	3.97	3.91	3.83	3.90	3.77	3.78
10Y Government Bond Yield (end-period)	3.84	3.73	3.85	3.87	3.71	3.68

Source: Bloomberg, MIDFR

October 2024 Key Economic Events

3 Oct: Strong economic fundamentals driving ringgit's growth - Bank Negara governor Malaysia's strong economic fundamentals are among the factors supporting the ringgit's growth, even during times of currency weakness, said BNM Governor Datuk Seri Abdul Rasheed Ghaffour. He highlighted that the country's projected economic growth rate of 4.0-5.0% for this year is also a positive factor that will contribute to the strengthening of the ringgit, moving forward.

5 Oct: Strong jobs report propels dollar to best week since 2022 The dollar jumped to a seven-week high on Friday and was on track to post its best week since September 2022 after a surprisingly strong jobs report for September led traders to cut bets that the Federal Reserve will make further 50-basis-point rate cuts.

14 Oct: Singapore keeps monetary policy steady as Q3 growth picks up Singapore's central bank on Monday left its monetary settings unchanged, as expected, as data showed the economy perked up in the third quarter. The Monetary Authority of Singapore (MAS) said it will maintain the prevailing rate of appreciation of its exchange rate-based policy band known as the Nominal Effective Exchange Rate, or S\$NEER.

16 Oct: Thai central bank unexpectedly cuts key rate by 25 basis points Thailand's central bank unexpectedly cut its key interest rate on Wednesday; a move long called for by the government to revive a sluggish economy with inflation below target. Bank of Thailand's monetary policy committee voted to reduce the 1-day repurchase rate by 25bps to 2.25%, after the rate had been a decade-high of 2.50% since September 2023.

16 Oct: Bank Indonesia holds key rate after rupiah comes under pressure Bank Indonesia left its key rate unchanged at 6%, focusing back to rupiah stability. Governor Perry Warjiyo said room for further monetary easing will depend on the outlook for the currency, inflation and economic growth. Indonesia expects the rupiah to withstand rising financial market volatility, with the central bank confident it will strengthen.

20 Oct: China cuts key lending rates to support growth China cut benchmark lending rates as anticipated at the monthly fixing on Monday, following reductions to other policy rates last month as part of a package of stimulus measures to revive the economy. The 1-year loan prime rate (LPR) was lowered by 25 basis points to 3.10% from 3.35%, while the 5-year LPR was cut by the same margin to 3.60% from 3.85% previously.

23 Oct: Bangladesh Bank expands inflation battle with rate hike The central bank raised the key policy rate by 50 basis points to 10 percent yesterday, making borrowing costlier for the 11th consecutive time to tame inflation as spiralling prices remain a headache for the interim government.

25 Oct: IMF chief Georgieva sees fiscal risks, need for central banks to be careful on rate cuts Governments around the world need to rebuild fiscal capacity and central banks should think carefully about the timing of interest rate cuts, International Monetary Fund Managing Director Kristalina Georgieva said on Friday.

30 Oct: Rupee drops to all-time low on Asia FX volatility, outflows Indian rupee declined to a lifetime low on Wednesday, weighed down by nervousness in its Asian peers about the outcome of the US elections and by persistent foreign outflows from domestic equities. The rupee dipped to an all-time low of 84.0900 to the U.S. dollar.

3 Oct: Dollar rally signals trader angst about global rate-cut path The dollar is rallying this week as traders start to question how aggressive the Fed's interest-rate cutting path will be compared to its global peers. The Bloomberg Dollar Spot Index is gaining for a fourth-straight session on Thursday, its longest winning streak in a month. Traders have been wary of taking a stance on the dollar thanks to the uncertainty surrounding the Fed's rate-cutting path and the US elections.

11 Oct: South Korea's central bank cuts rates in a bid to boost the economy South Korea's central bank on Friday cut its policy rate as pressure to revive a sluggish economy outweighed concerns about the country's level of household debt. Bank of Korea lowered its key interest rate by 25bps to 3.25%, its first move to lower borrowing costs since May 2020.

15 Oct: Intervention back on investors' radars as yen weakens against dollar The risk of intervention has swung back into sharp focus for investors as they ready for the yen to weaken back to ¥150 against the dollar and beyond. The Japanese currency dropped as far as ¥149.98 on Monday after two consecutive weeks of declines. It had the worst loss since 2009 in the five days through Oct. 4.

16 Oct: Philippine c.bank cuts rate for second time, further easing possible The Philippine central bank reduced its key interest rate by 25 basis points on Wednesday for a second meeting, and left the door open to further cuts with medium-term inflation expected to stay within its 2%-4% target range. The cut took the target reverse repurchase rate to 6%, the lowest since February 2023.

17 Oct: ECB lowers rates to 3.25% as inflation slows The ECB has cut interest rates by a quarter-point to 3.25%, amid mounting confidence that Eurozone inflation is finally weakening and increasing concerns about lacklustre economic growth. Thursday's move took Eurozone rates to their lowest point since May 2023 and followed a cut of the same size at the ECB's last meeting, held in early September.

22 Oct: IMF says global fight against inflation is 'almost won' but warns of rising risks Much of the world managed to successfully lower inflation and engineer an economic soft landing, avoiding recession, but faces rising geopolitical risks and weaker long-term growth prospects, according to the IMF. Global headline inflation will fall to 3.5% by the end of 2025, from average 5.8% in 2024, the agency said.

23 Oct: Putin calls for alternative international payment system at BRICS summit Vladimir Putin has opened the expanded BRICS summit by issuing a call for an alternative international payments system that could prevent the US using the dollar as a political weapon. But the summit communique indicated little progress on an alternative payment system.

28 Oct: Yen falls to 3 months low after ruling coalition's loss; stocks surge Japanese yen weakened to upper-153 level on Monday after the ruling coalition lost its majority in the general election, casting uncertainties over the country's fiscal and monetary policies. The yen depreciated past 153.80 on Monday, a low since late July, in reaction to the election results.

31 Oct: BOJ keeps policy steady, leaves door open for near-term rate hike The Bank of Japan maintained ultra-low interest rates on Thursday but said risks around the U.S. economy were somewhat subsiding, signalling that conditions are falling into place to raise interest rates again.

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